

No. 22037 ✓

IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

PURER & COMPANY and PHILLIP PURER,
Appellants,
vs.

AKTIEBOLAGET ADDO and ADDO MACHINE COMPANY,
INC.,
Appellees.

APPELLANTS' OPENING BRIEF.

JOSEPH W. FAIRFIELD,
ETHELYN F. BLACK,
ALFRED W. OMANSKY,
8500 Wilshire Boulevard,
Beverly Hills, Calif. 90211
Attorneys for Appellants.

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APPELLANTS' OPENING BRIEF.

Preliminary Statement.

This is an appeal by the defendants Phillip Purer, an individual, and Purer & Company, a California corporation [C. T. pp. 737-738] from a judgment entered on May 9, 1967, granting plaintiffs Aktiebolaget Addo, a Swedish corporation, and Addo Machine Company, Inc., a New York corporation, a permanent injunction and further awarding plaintiff Aktiebolaget Addo attorneys' fees and costs in the sum of \$36,905.17 [C. T. pp. 676-677].

On this appeal this Court is also asked to review the following non appealable orders [C. T. pp. 737-738]:

1. April 11, 1966. The order of the court denying defendants' motion to compel the plaintiff to fully and completely answer questions on Interrogatories. [C. T. p. 317.]

2. December 12, 1966. The order of the court denying defendants' motion to preclude the testimony of Carl Gronhagen [C. T. p. 555.]
3. December 12, 1966. The order of the court denying defendants' motion for judgment on the second cause of action. [C. T. p. 555.]
4. December 12, 1966. The order of the Court granting plaintiffs leave to withdraw their second cause of action. [C. T. p. 555.]

Statement as to Jurisdiction.

The complaint states three causes of action. However, jurisdiction of the District Court rests only upon the first cause of action which is designated as one for patent infringement under 28 U.S.C.A. 1338. [C. T. p. 2.] Although actually the first cause of action does not involve patent infringement as such but is really a proceeding to determine whether a license agreement entered into between the plaintiff Aktiebolaget and defendant Phillip Purer on April 1, 1965 was a valid agreement, nevertheless the District Court has jurisdiction over the subject matter of the action because it is labelled an action for patent infringement. (*Lockett v. Delpark* (1926), 270 U.S. 496, 502, 510, 46 S. Ct. 397, 401; *Lear Siegler, Inc. v. Adkins* (9th Cir. 1964), 330 F. 2d 595, 599-600.)

The judgment of May 9, 1967 is a final decision, reviewable in this Court. (28 U.S.C.A. 1291.) The intermediate orders which this Court is also asked to review on this appeal are not appealable orders but are merged in the final judgment and thus may be reviewed by this Court on the appeal from the final judgment. (*Atchison, Topeka & Santa Fe Ry. v. Jackson* (10th Cir., 1956), 235 F. 2d 390, 392; *Gilliland v. Lyons* (9th Cir., 1960), 278 F. 2d 56, 58.)

Statement as to the Case.

A. As to the Pleadings.

This law suit was commenced on November 4, 1965 by two plaintiffs, Aktiebolaget Addo, a Swedish corporation, and Addo Machine Company, Inc., a New York corporation, and *both* plaintiffs allege in the complaint the same three causes of action. [C. T. p. 2.]

The first cause of action is for patent infringement, the plaintiffs alleging that the plaintiff Akitebolaget is the owner of U.S. Letters Patents Nos. 2854190 and 2985363; that by written agreement between Aktiebolaget and Addo Machine Company, plaintiff Addo Machine Company is the sole American importer and exclusive distributor of adding machines manufactured by Aktiebolaget embodying the patented inventions [C. T. p. 21]; and that defendants were for some time past and still are infringing upon the letters patent by making, importing, selling and using adding machines embodying the said patented inventions. [C. T. pp. 2-4.]

The second cause of action is for trade mark infringement. Here both plaintiffs allege that plaintiff Aktiebolaget is the owner of the registered trade marks and trade names "Addo" and "Addo-X"; that for more than ten years plaintiffs have employed the trade mark and trade name "Addo" as their entire name or as the first salient and distinctive portion of the name in connection with adding machines manufactured, imported and sold by plaintiffs and their distributors; that plaintiff's adding machines bearing the names "Addo" and "Addo-X" have acquired a wide and valuable reputation as reliable, precision made and well designed adding machines, as a result of which the trade names "Addo" and "Addo-X" have acquired a highly valuable reputation and good will; that defendants are

engaged in manufacturing, importing, selling and advertising for sale in the United States adding machines which are deliberate copies of those adding machines produced and sold by plaintiffs; that plaintiff's use of the phrase "machines for millions" has come to have a secondary meaning to the dealers in and consumers of adding machines so as to identify such products as only those made and sold by plaintiffs and that defendant's advertising "over one million satisfied users" is untrue, and pirated from plaintiffs advertising of "machines for millions" and thus confuses the public into believing that in some way defendants' machine is in some way connected with plaintiff's product. [C. T. pp. 4-6.]

Plaintiffs further allege in their second cause of action that defendants' recital that their adding machine is being produced under a license from plaintiff Aktiebolaget is false and misleading and that such misleading statements have led and will continue to lead persons who are exposed to it to believe that the machines sold by defendants are endorsed by plaintiffs and produced in accordance with plaintiff's methods and thereby give defendants the benefit of the good will and good name of plaintiffs to their detriment and injury. [C. T. pp. 6-7.]

Plaintiffs further allege in their second cause of action that defendants' use of plaintiffs' trade mark and trade name with the advertising their goods for sale constitutes a violation of the Lanham Act. [C. T. p. 7.]

The third cause of action is for unfair competition, in which plaintiffs repeat all of the allegations of the second cause of action and further allege the name "Addo" has acquired a secondary meaning with the public and is identified solely with the plaintiff's product; that the defendants had actual knowledge of said

secondary meaning and their conduct constitutes unfair competition against plaintiffs. [C. T. pp. 7-8.]

In answering, the defendants denied that they were infringing upon the plaintiff's letters patent or their trade mark, or competing unfairly with the plaintiffs. [C. T. pp. 198-199.] As a special affirmative defense the defendant Phillip Purer alleged that on April 1, 1965, he entered into a written agreement with the plaintiff, Aktiebolaget Addo, whereby and wherein the said Akitebolaget for royalty payments licensed the said Purer to use the patented items in his adding machines. [C. T. p. 199.]

Plaintiffs challenged this defense by contending that the license agreement of April 1, 1965 was procured by the fraudulent conduct of Purer, and that upon the plaintiff ascertaining the true facts, rescinded the agreement and that as a result thereof there was no valid contract existing between Aktiebolaget or any of the defendants and that the use of the patented invention by defendant Purer after the rescission constituted an infringement of the letters patent *ab initio*. Thus, the case was not one of patent infringement but validity of a contract [R. T. 12/12/66, p. 11] for if the license was valid, Purer certainly had a right to use the patented items. It is well established that a valid license agreement is a perfect defense to an action for infringement.

De Forest Radio Tel. & Tel. Co. v. U.S. (1927, 273 U.S. 236, 241-242; 47 S. Ct. 366, 367, 368);

Anthony Co. v. Perfection Steel Body Co. (6th Cir. 1963), 315 F. 2d 138, 141;

Talbot et al. v. Quaker-State Oil Ref. Co. (3rd Cir. 1939), 104 F. 2d 967, 968.

The validity of the patents was not questioned.

On December 12, 1966, the defendants moved the Court for judgement on the second cause of action, contending that since the marks “Addo” and “Addo-X” were merely descriptive, they were not registerable as such and asked that the Court declare the marks invalid and direct the Commissioner of Patents to cancel the same. [C. T. p. 484.] No opposition was interposed to the motion but instead plaintiffs asked leave to withdraw their second cause of action on the grounds that their discovery proceedings had revealed no instance of trade mark violation. [R. T. 12/12/66, p. 7.] Defendants objected. Plaintiffs had instituted this cause of action in which they sought affirmative relief, treble damages, a preliminary and permanent injunction [C. T. p. 8] and had already obtained a preliminary injunction [C. T. pp. 249-250] and defendants were entitled to an adjudication of this cause of action. The court denied defendants’ motion for judgment on the second cause of action and granted plaintiffs’ motion for leave to withdraw the second cause of action. [C. T. p. 555.]

The third cause of action was for unfair competition in that the defendants’ use of the name “Addo” constituted unfair competition. Again, no decision was rendered on the allegations set forth in the third cause of action, but over objection ruled that the use of plaintiffs’ patented items by defendants after notice of rescission of the contract of April 1, 1965 could also constitute unfair competition. [Item 4, C. T. p. 548; R. T. 12/12/66, pp. 14-19.]

B. The Contentions and Issues.

The primary issue, of course, is the one determining the validity of the license agreement of April 1, 1965. The factual issue from plaintiffs’ side was whether for some years prior to 1965, Tokyo Electric Co., a sub-

sidiary of Toshiba had been manufacturing in Japan substantially exact mechanical copies of certain of plaintiff Aktiebolaget's adding machines, embodying their patents [C. T. p. 537]; and whether Aktiebolaget has been diligently engaged in attempting to stop the manufacture by Tokyo Electric Co. of adding machines which were copies of plaintiff Aktiebolaget's adding machines [C. T. pp. 537-538]; the alleged fraud of defendants in inducing plaintiff to enter into the agreement of April 1, 1965 [C. T. pp. 538-539], plaintiff contending that if it had known that the defendant Purer contemplated distributing a machine manufactured by Tokyo Electric Co. it would never have granted the license agreement of April 1, 1965 to defendant [C. T. p. 539], and having discovered the fraudulent representations of defendant Purer, it was justified in rescinding the agreement of April 1, 1965. [C. T. p. 540.]

Plaintiff also contended as a factual issue that defendant was guilty of false advertising which constituted unfair competition. [C. T. pp. 540-541.]

Defendants' factual contentions were that there was no fraud; that at the time Aktiebolaget granted defendant Purer its license agreement, it was fully aware of the fact that the adding machine would be manufactured by Tokyo Electric Co., that in June of 1965 Gunnar Agrell, the president of Aktiebolaget had several conferences with his brother, George Agrell, the president of plaintiff Addo Machine Co. and that as a result of said conferences it was decided to void the license agreement of April 1, 1965 and a charge of fraud was then developed to accomplish this cancellation. [C. T. pp. 542-543.]

C. The Trial.

To establish its two causes of action of fraud and unfair competition, plaintiffs produced five witnesses and 70 exhibits. Testifying in behalf of the plaintiffs were Gunnar Agrell, the president of Aktiebolaget, George Agrell, the president of Addo Machine Co., Sven Sundquist, a former employee of plaintiff Aktiebolaget and plaintiff Addo Machine Co. and now employed by Western Addo-X, a California corporation, all of whose outstanding stock is owned by said George Agrell; Carl Gronhagen, president of Western Addo-X, and Neal Pinyon, an adding machine distributor for Western Addo-X.

Approximately 20 of plaintiffs' exhibits consisted of alleged correspondence between plaintiff Aktiebolaget and Tokyo Electric Co., Aktiebolaget and its agent Lindoteves-Jacoberg; and letters from dealers to plaintiff Addo Machine Co. and Western Addo-X. No attempt was made to authenticate any of this correspondence; no witnesses were produced from Toyko Electric Co. or Toshiba or from Lindeteves-Jacoberg to establish that such correspondence actually took place or that a dispute actually existed between Tokyo Electric Co. and Aktiebolaget, and over objection [R. T. pp. 68-72] they were received into evidence for the limited purpose of explaining why the plaintiffs acted the way they did. [R. T. p. 75.] No dealer was produced to establish the contents of any of their letters, or that they even wrote them, and of course, no consumer was called to testify that they ever purchased an adding machine of the defendants believing it to be a product of plaintiffs. Even the defendant Phillip Purer was not called as a witness. (Fed. Rules Civ. Proc., Sec. 43(b).)

Upon the conclusion of plaintiffs' case the defendant also rested contending that plaintiffs failed to sustain their burden of proof to establish any of the issues

raised by the pleadings and the pre-trial order. [R. T. pp. 437-438.]

The trial court, however, concluded that plaintiff Aktiebolaget had unsuccessfully attempted to prevent Tokyo Electric Co. and its parent company, Toshiba, from infringing on their patents; that plaintiff had no knowledge of Tokyo Electric Co. until June of 1965; that defendant Purer had wilfully concealed his relationship with Tokyo Electric Co. from plaintiff Aktiebolaget in soliciting a license agreement, that the license agreement of April 1, 1965 was procured by fraud and that its rescission by Aktiebolaget was justified.

The Court also found that defendant's advertising methods constituted unfair competition, that defendant's use of plaintiff's patents constituted infringement and unfair competition and rendered judgment for the plaintiffs, including a permanent injunction.

The court also found that this was an exceptionally complex patent infringement case, requiring great skill in its presentation, entitling plaintiff Aktiebolaget to an award of attorney's fees in the sum of \$33,000.00 plus costs in the sum of \$3,905.17, and awarded plaintiffs judgment in the sum of \$36,905.17.

D. Statement as to the Facts From the Findings.

The facts in this cause as taken from the findings are as follows [C. T. pp. 590-604]:

Aktiebolaget Addo is a Swedish corporation, having its principal place of business in Malmo, Sweden. Since 1918 it has been engaged in the business of manufacturing adding machines and business machines which are sold throughout the world, including the United States. For the years 1962 through 1966 their sales amount to more than 122 million dollars. In addition,

during that period of time they spent over 4 million dollars on engineering and research work. As a result of this engineering and research program the adding machines bearing the name "Addo" have developed a valuable reputation in the United States and throughout the world.

Aktiebolaget is also the owner of U.S. Letters Patents No. 2854190 which was duly issued to it on September 30, 1958; and No. 2985363 which was duly issued to it on May 23, 1961. Both patents embody improvements in adding machines used in its basic model 341E and the validity of these patents have been conceded by defendants.

Addo Machine Company is a New York corporation, having its principal place of business in New York, N.Y. and is the exclusive importer into the United States and distributor in the United States of the products manufactured by Aktiebolaget and has the exclusive right to use the name "Addo" in the United States. The wholesale value of sales of Addo Machine Company's products in the United States for the period commencing February 1, 1962 and ending January 31, 1967 has been in excess of 19 million dollars. In addition, Addo Machine Company's expenditures for advertising and publicity in the same period has been in excess of \$430,000.00. Addo Machine Company distributes the product through a network of approximately 800 dealers and in addition conducts numerous courses designed to instruct mechanics employed by adding machine dealers in the servicing and repair of the Addo adding machine.

Defendant, Purer & Company, is a California corporation having its principal place of business in Los Angeles, California. It was organized in June, 1964, under the name of Tokyo Electric Company, Interna-

tional, and filed its certificate with the Secretary of State of California changing its name to Purer & Company on December 8, 1964. In February, 1965, it received permission from the California Commissioner of Corporations to issue 100 shares of its stock and 100 shares were issued in March, 1965.

Defendant, Phillip Purer, is an individual and also a member of a partnership doing business as Purer & Company. No certificate of doing business under a fictitious name has been filed for the partnership.

Defendants are engaged in the business of importing from Japan and selling in the United States business machines, including adding machines and calculating machines.

In 1960 a subsidiary of the Japanese Toshiba combine manufactured in Japan substantially exact mechanical copies of plaintiff's 341E mechanism, including the inventions disclosed in Aktiebolaget's patents. This adding machine bore the model no. 4001 and was made of inferior materials which resulted in slower operation, shorter useful life and greater frequency of repairs. Aktiebolaget protested the manufacture of the Japanese copy and made its protest through the Swedish Export Association, the Swedish Embassy in Japan and a Dutch firm named Lindeteves-Jacoberg, N.V., its agents in Japan.

Thereafter Aktiebolaget was advised that Toshiba claimed that the machine of manufacture was the product of independent design, whereupon plaintiff Aktiebolaget purchased a Toshiba 4001 adding machine, made detailed photographs of the Toshiba 4001 mechanism and of the comparable parts of its 341E mechanism, which showed the identity of the mechanism. Plaintiff Aktiebolaget thereupon sent the copies to its agents in Japan to be used in further efforts to halt the production of the Japanese copy.

Aktiebolaget wrote Toshiba in the spring and again in the summer of 1964 requesting further information about discontinuance but received no reply.

Aktiebolaget would not willingly have permitted the Toshiba 4001 adding machine to be sold in the United States or in any country where Aktiebolaget held patents disclosing inventions employed in the Toshiba 4001 adding machine.

Defendant Phillip Purer visited the Toshiba facilities in Japan on several occasions prior to November 27, 1964. On at least one occasion he saw the Toshiba model 4001 adding machine and requested that he be allowed to import and sell in the United States such adding machine. He was informed by Toshiba that Aktiebolaget held patents on such adding machines and that it could not be sold in the United States without plaintiff Aktiebolaget's permission. Defendants thereupon embarked upon a course of conduct designed to obtain by fraudulent means a license to use plaintiff Aktiebolaget's U.S. patents.

On November 27, 1964, defendants wrote to plaintiff Aktiebolaget requesting that they be granted a license to use plaintiff Aktiebolaget's U. S. Patents Nos. 2854190 and 2985363. [Ex. 20.] On December 17, 1964 plaintiff Addo answered defendant's request stating that it would be willing to grant a license to use the two patents and set forth the terms and conditions under which such license would be granted [Ex. 21]. On December 21, 1964 defendants replied to the letter of December 17th. [Ex. 22.] On March 17, 1965 after some delay due to problems in obtaining a form of patent license and revisions and translation into English of the license form by Aktiebolaget's president, a patent license signed by Aktiebolaget was sent to defendant. [Ex. 26.] On April 14, 1965

defendants replied and acknowledged the receipt of the proposed license and requested some modifications therein. [Ex. 25.] By letter dated May 18, 1965, plaintiff Aktiebolaget agreed to the modification of the license [Ex. 27], and on June 2, 1965, defendants returned to plaintiff Aktiebolaget a fully executed copy of the license as modified. [Ex. 28.]

The license was obtained by false and fraudulent representations of the defendant in that Exhibits 20, 22, 25 and 28 were false and fraudulent in each of the following respects, among others:

1. The adding machine which defendants intended to sell in the United States was not an adding machine to be manufactured by or under the control of defendants. Defendants intended to import the Toshiba copy of the Aktiebolaget adding machine which had been in production in Japan for approximately 15 years.

2. Defendants had not just completed or otherwise done the engineering or prototype of an adding machine as claimed in Exhibit 20.

3. The design to which defendants referred to did not bear some similarity to Aktiebolaget's patents as was claimed in Exhibit 20; it was a virtually exact copy of the Aktiebolaget 341E adding machine in both its patented and unpatented features.

4. "Our proposed adding machine" referred to in Exhibit 22 was not an adding machine belonging to defendants and was not a "proposed" adding machine; it was a Toshiba copy of the Addo adding machine and it was in production.

5. Although Aktiebolaget does have United States patents for devices employed in adding machines other than the two aforesaid patents, only the two afore-

said patents are employed in the Addo 341E adding machine and its copy, the Toshiba 4001 adding machine. There were no "other patents" that defendants might employ in their "proposed" machine as claimed in Exhibit 22.

6. The representation in Exhibit 25 that "our production will be very small in which we expect to produce approximately 300 machines per month, starting in May of this Year" was false and fraudulent in that it was not defendant's production but Toshiba's production and the adding machine was not commencing a small amount in May 1965, but had been in production in substantial amounts since 1960.

Each of these false and fraudulent representations was made with knowledge of its falsity and that Aktiebolaget should rely thereon; Aktiebolaget did rely upon such representations in entering into the patent license agreement and Aktiebolaget would not have entered into such patent license had it known that defendants had not designed an adding machine of their own but were intending to import the Japanese copy of the Aktiebolaget machines.

Had Aktiebolaget been informed that the true name of defendant Purer and Company was Tokyo Electric Company International on November 27, 1964, a name showing a Japanese connection, it would have made inquiry as to the nature of the machine claimed to have been designed by defendants and as to the identity of its manufacturer. Tokyo Electric Company is the English name of the subsidiary of Toshiba. Although Aktiebolaget did not know of the name of Tokyo Electric Company until June, 1965, they did know of it under its Japanese name of Tokyo Denki and knew that Tokyo Denki was a Toshiba subsidiary manufacturing a copy of model 341E.

In June, 1965, defendants caused Tokyo Electric Company model 4011 adding machine to be advertised at a business machines show in Chicago and represented that such machine was manufactured under license from Addo. Tokyo Electric Company model 4011 adding machine was the same as Toshiba 4001 adding machine except that the case had been redesigned. Tokyo Electric Company model 4011 displayed and advertised by defendants bore the label TEC and was given model no. 7001 in defendants' advertising of such machine.

Plaintiffs purchased a TEC 7001. Over 90% of the parts of TEC 7001 are identical in size, shape and design with similar parts of Aktiebolaget's 341E to the extent that they are interchangeable between the TEC 7001 and the Aktiebolaget 341E. On June 21, 1965, Aktiebolaget received a copy of the brochure for the TEC 7001 adding machine upon which brochure appeared the name Purer & Company. [Ex. 33.] On June 21, 1965 Aktiebolaget made inquiries of defendants as to the source of TEC 7001, to which defendants replied that the TEC 7001 was manufactured by Tokyo Electric Company, a subsidiary of Toshiba. [Ex. 35.] In July, 1965, plaintiff Aktiebolaget learned through a Dun & Bradstreet report that defendant Purer & Company's correct name on November 27, 1964 was Tokyo Electric Company, International and not Purer & Company.

On July 22, 1965 Aktiebolaget gave timely and effective notice of rescission of the license agreement and returned to defendants all consideration given therefor; justified by the false and fraudulent representations defendants had made to obtain the license agreement and by the concealment of defendants' true intentions and the concealment of the correct corporate name of the defendant Purer & Company at the time the li-

cense was requested. Notwithstanding the notice of rescission of the license agreement, defendants thereafter imported into the United States and offered for sale the TEC 7001 adding machine.

In defendants' sale of TEC 7001 adding machine, they stated to adding machine dealers throughout the United States by a letter dated September 30, 1965 [Ex. 60] that the new TEC machine was manufactured under a license agreement dated April 1, 1965 between the A. B. Addo Co. of Malmo, Sweden and Purer & Company, which agreement authorized the defendants to manufacture and sell the machines under Aktiebolaget's letters patent; that this statement was false and misleading advertising and representations in that no such license to copy the adding machine had ever been granted by Aktiebolaget and moreover, Aktiebolaget would only have authorized defendants to use the two patented devices, not to build a particular adding machine.

That defendant's advertising and representations that its TEC adding machine had "over 1,000,000 satisfied users" was false, and further that at the time of such representation Aktiebolaget had manufactured more than 1,000,000 business machines and used the advertising slogan "Machines for Millions".

TEC 7001 adding machine was inferior in quality of construction and performance to that of plaintiff's 341E adding machine which it copied; was made of inferior materials and would not be as long lived as the 341E and would be subject to repeated and numerous mechanical failures.

The letters of September, 30, 1965 [Ex. 52] were intended to and did create confusion among plaintiff's dealers as to the sponsorship endorsement by plaintiff of the TEC 7001; it was intended to inform said dealers that they would not have to undertake further

training of their mechanics or to acquire further stocks of spare parts or special tools for the service of the TEC 7001 adding machine; and that while the 7001 adding machine was little more than half the price of Aktiebolaget's 341E adding machine, it was intended to convey the impression that it was authorized and endorsed by the plaintiff Aktiebolaget and therefore of comparable quality to the 341E adding machine and that Exhibit 60 was an effort to trade upon the good name acquired by Aktiebolaget and Addo Machine Company to their substantial expense and effort.

That defendants' fraudulent conduct in obtaining the patent license and intentional patent infringement after such license had been rescinded, made this an exceptional case in which an award to Aktiebolaget of its attorneys' fees and expenses should be granted.

From these findings the Court concluded that the license agreement between Aktiebolaget and Purer and Company was rescinded by the Notice of July 22, 1965 [Ex. 40], which rescission was justified by the false and fraudulent representations made by defendant and that its importation and sale of adding machines incorporating Aktiebolaget's patented inventions constituted patent infringement *ab initio* and that defendants' importation and sale of adding machines after the notice of rescission [Ex. 40] and its advertisement and representation of the connection between the TEC 7001 machines and Aktiebolaget constituted unfair competition.

The Court also stated as a Conclusion of Law that

“The extraordinary circumstances of this case, involving defendants' fraudulent conduct in obtaining the patent license and knowing infringement of (Aktiebolaget's)

Addo's patents when such license was rescinded, entitled Addo (Aktiebolaget) to recover its attorney's fees and other reasonable expenses incurred in this law suit in addition to costs." [Conclusion of Law No. IX; C. T. p. 604.]

Before entering judgment on April 27, 1967, the Court filed its own memorandum of supplemental findings of fact and conclusions of law and order and found that proofs by the plaintiffs of the patent infringement committed by the defendants depended upon proof that the license under which the defendants purported to operate was obtained by fraud; that the same proof constituted an integral part of the cause of action for unfair competition and that the services of the plaintiffs' attorneys would not substantially have been lessened if only the patent infringement count had been litigated. The Court further found and took into consideration that this was a complex case requiring extreme experience, quality and skill in the trial thereof and \$33,000.00 was the reasonable value of the services of plaintiffs' attorneys which should be charged to defendants, plus an additional sum of \$3,905.17 for costs. [C. T. pp. 668-671.]

Judgment was thereupon entered accordingly. [C. T. pp. 676-677.]

As stated, the above facts are taken from the findings. However, most of the findings contain unauthorized legal conclusions or assumptions and are not supported by the evidence as will hereinafter be demonstrated (Appendix B). Moreover, an examination of the record discloses a set of facts entirely different from that found by the Court, and since this set of facts is supported by the evidence we submit it to the Court.

E. Statement of Facts From the Record.

Aktiebolaget, a Swedish corporation, is a world-wide organization [R. T. p. 16]; engaged in the business of manufacturing, selling and distributing adding machines, including in the United States. [R. T. p. 13]. The business was founded in 1918 by Hugo Agrell. [R. T. pp. 12-13.] Gunnar Agrell and his brother George were shareholders in Aktiebolaget [R. T. pp. 169-170] but sold their shares when Aktiebolaget became a member of the Odhner Facit group. [R. T. pp. 169-170.]

Addo Machine Company is a New York corporation. All of its shares of stock are owned by George Agrell and he has been its president since 1950. [R. T. pp. 261-262.] Addo Machine Company is the sole distributor of the Aktiebolaget products in the United States. [R. T. pp. 26, 174.]

Western Addo-X is a California corporation, Although it is operated in New York. [R. T. p. 263]. George Agrell also owns all of its stock [R. T. p. 263] and Carl Gronhagen is its president [R. T. p. 319.] Western Addo-X is not a party to this action.

Aktiebolaget is the owner of U.S. Letters Patent Nos. 2854 190 and 2985 363 which pertain to patented devices used on an adding machine. On November 27, 1965, Mr. Phillip Purer, in writing, solicited the use of the patented items. [Ex. 20]. This letter, as all subsequent letters from Purer, shows the picture of a plant and underneath it in clear print the words "NEW MODERN FACILITY IN OHITO." The plant is a three-story building, 23 window frames in length plus an extension containing three more window frames in length and two window frames in depth. Between the main building and the extension, the width of a window frame, the photograph shows a four story

edifice. On one side, on the fourth story and standing above the tops of the two buildings clearly visible are the letters "TEC". On the adjoining side, also clearly visible, are four ideographs or Kanji. Also shown on this photograph is a two train tramcar, roads, an overhead pass, trees and background. This picture is approximately 6½ inches in length and approximately 2 inches in height and takes up practically the entire lower quarter of the letter head of Purer and Company.

Prior to the receipt of Exhibit 20 on December 1, 1965, Gunnar Agrell had never heard of Purer & Co. [R. T. pp. 83, 201.] But he did know from his experience, that Purer & Co. would have to produce a minimum of 10,000 machines a year to make the enterprise worthwhile. [R. T. p. 209.] This requires a plant of approximately 16,500 square feet, when some of the parts are subcontracted out [R. T. p. 246] and a working force of approximately 300 people. [R. T. p. 173.]

On December 1, 1964, when he received Purer's request for a license, what he had in mind was that Purer would sell more machines containing the patents than his brother [R. T. pp. 200-201], but he paid no attention to the picture on the correspondence [R. T. pp. 93, 186-187]; and even though he wrote over the letters "TEC" he did not see them [R. T. pp. 188-189] nor did he notice the statement "NEW MODERN FACILITY IN OHITO".

Thereafter on December 17th, Gunnar Agrell wrote to Phil Purer suggesting a royalty of 30 cents on each machine predicated on the sale of a minimum of 20,000 machines per annum. [Ex. 21; R. T. p. 195.] From his experience Gunnar Agrell also concluded that the factory price per machine would approximate \$100.00 [R. T. p. 195], which would mean an expenditure by

Purer of approximately \$2,000,000.00 per year [Ex. 21; R. T. p. 196.] Gunnar Agrell had never heard of Purer & Company, and although he expected him to sell a minimum 20,000 machines a year as against his brother who distributed an average of only 16,500 per year [R. T. p. 199] and knew that the machines would have to be made somewhere, he did not take into consideration Mr. Purer's facilities to manufacture the adding machines [R. T. p. 201], and he made no inquiries of Purer as to who would be the manufacturer for Purer. [R. T. pp. 206-207.]

On December 21st, Phillip Purer again wrote to Aktiebolaget replying to Gunnar Agrell's letter of December 17th accepting the 30 cents per unit royalty, but suggesting that the license agreement provide for a minimum royalty predicated on 10,000 machines per annum. [Ex. 22.] Using Gunnar Agrell's price of \$100.00 cost per machine, this would still mean an annual production cost of \$1,000,000.00. [R. T. pp. 208-209.] In addition Mr. Purer stated in his letter of December 21st that the license agreement be made ". . . In the name of Purer & Company or '*the manufacturer for Purer & Company*'". [Ex. 22, emphasis added.] Again Mr. Gunnar Agrell did not look at the picture on the letter [R. T. p. 204] and made no attempt to inquire who the manufacturer was that Purer referred to in Exhibit 22, since it was quite common in this industry to have subcontractors for different things [R. T. p. 206], nor did he associate the statement in Exhibit 22 "the manufacturer for Purer & Company" with the printing on Exhibit 22 "NEW MODERN FACILITY IN OHITO" despite the fact that he wrote over both the photograph and the statement. [Ex. 22; R. T. pp. 204-206.]

In any event, Gunnar Agrell, himself, and without any aid from Purer & Co. prepared the license agree-

ment [Ex. 26; R. T. pp. 211-212] and it is to be particularly noted that, although the license agreement refers to Purer & Co., nothing is stated about any corporation; and Paragraph 8 of Exhibit 26 indicates that an individual is involved and not a corporation. [Ex. 26, R. T. p. 212.]

Moreover Gunnar Agrell inserted in Paragraph 8 of the license agreement. [R. T. p. 213];

“The manufacturer for the License has the right to use the patents but the Licensee is responsible to the Licenser for the manufacturer’s being bound by all the terms, covenants and conditions of this agreement to be performed by him.”

The executed copy of this agreement was received by Mr. Gunnar Agrell on April 20, 1965 and again he did not read the statement “NEW MODERN FACILITY IN OHITO” and again did not look at the picture. [R. T. pp. 233-234.]

George Agrell of Addo Machine Co., the exclusive distributor of Aktiebolaget’s products in the United States, was never informed by his brother Gunnar of the license agreement given to Purer [R. T. p. 218] and George Agrell first heard about it in June of 1965, when Martin Waisbran, at the request of Carl Gronhagen read it to him over the telephone. [R. T. pp. 278, 333.]

In June of 1965 an exchange of information took place between Gunnar and George regarding the license agreement [R. T. pp. 219-220] after which they agreed to cancel the license agreement of April 1, 1965. [R. T. p. 225]. Pursuant to this agreement Mrs. Alma Flesch, the attorney for plaintiff Addo Machine Company, and who had also been consulted by plaintiff Aktiebolaget [Ex. 40, R. T. p. 230], wrote to Purer on June 30, 1965 informing him that the agreement

of April 1, 1965 was invalid because it was based upon his misrepresentations and thus furnished no basis for license rights. [Ex. B.]

Although on June 30, 1965, George Agrell had already informed Purer that the license agreement was cancelled because of his misrepresentations (Exhibit B) Gunnar Agrell however, was still looking for an excuse to rescind the license agreement [R. T. pp. 222-223], for on the following day, July 1, 1965 he wrote to Purer inquiring whether his company is

“ . . . fully or partially owned by Toshiba, any subsidiary company to Toshiba or any other Japanese company?” [Ex. 37.]

Gunnar Agrell received a direct answer to this query, namely “no” and that

“Purer & Company is a privately owned corporation and is free to represent any companies that they so desire.” [Ex. 38.]

Although Purer suggested that they discuss any differences that Mr. Gunnar Agrell felt existed [Ex. 38], Gunnar Agrell declined to do so and proceeded to rescind the license agreement not on the grounds that Purer & Co. was in any way connected with Toshiba as stated in Exhibit 37, but because that:

“Among such misrepresentations were the nature of your company and the existence of an intimate link with Japanese interests engaged in unauthorized copying of our machines which we have attempted to stop through appropriate channels in Japan.” [Ex. 40.]

In the recital of these facts from the record, there has been deliberately omitted any reference to a dispute, if any such dispute existed, between Aktiebolaget and Tokyo Electric Co. or Toshiba regarding alleged copying of Aktiebolaget's patents by Toshiba or unau-

thorized use of their patents, for the reason that there was *no* evidence to support such a claim. Exhibits 8-11 and 13-16 were not offered in evidence as to the truth of their contents but only for the limited purpose of explaining why plaintiffs acted the way they did [R. T. pp. 38, 72, 75-79,] and the Court so understood it. [R. T. pp. 38, 70.] Moreover, the Court further stated that it would *not* decide this case on the facts asserted in any letters. [R. T. p. 76.]

Regarding unfair competition, the evidence is that the *exterior* of plaintiff's and defendant's machines were not at all similar and easily distinguishable [R. T. pp. 366-368]); and although the parts in the interior of both machines are identical and at least 90% interchangeable [R. T. p. 374], nevertheless no evidence was offered that the interchangeable parts and interior design of the machine belongs exclusively to plaintiff or is in any way associated with plaintiff, and, of course, not a single person was produced to testify that they ever purchased defendants' machine believing that they were acquiring plaintiff's product.

Moreover, the dealers' letters [Exs. 53-57 and 61-65] showed no confusion [R. T. p. 307] and were admitted into evidence only for the purpose of showing the state of mind of these dealers. [R. T. pp. 307-309, 345.]

Under this state of facts the plaintiffs did not sustain their burden of establishing by clear and convincing evidence that Aktiebolaget entered into the license agreement of April 1, 1965 because of the fraudulent misrepresentations of defendants or by a preponderance of the evidence that the product of defendant was so similar to plaintiffs as to cause confusion among the public. The trial court, therefore, should have entered judgment for the defendants.

Specifications of Error.

1. Defendants cite error in law in the rulings of the trial court allowing certain exhibits into evidence over objections. Since these exhibits relate to particular phases of plaintiff's proof, for the purpose of simplification, defendants have grouped these exhibits into classifications as follows:

a. The financial reports. [Exs. 3, 4 and 48.]

(1) Exhibit 3. [R. T. pp. 14-16.]

(a) No proper foundation.

(b) Hearsay.

(c) Irrelevant, incompetent and immaterial.

(d) The original books and records are the best evidence.

(e) Defendants were never given an opportunity to inspect the original books and records although an order was entered allowing such inspection.

(2) Exhibit 4. [R. T. p. 21.]

(a) No foundation.

(b) Hearsay.

(c) The books and records would be the best evidence.

(3) Exhibit 48. [R. T. pp. 267-268.]

(a) Hearsay.

(b) Lack of proper foundation.

(c) Refusal of plaintiffs to allow an examination of the original books and records.

b. The Lindeteves-Jacoberg letters. [Exs. 8, 9, 10, 11, 13, 14, and 16; R. T. pp. 69; 75-79.]

(1) Lack of foundation.

(2) Self serving declaration.

(3) Hearsay.

- c. Tokyo-Aktiebolaget letters. [Exs. 17, 18 and 43.]
 - (1) Exhibits 17, 18. [R. T. pp. 69-71; 79.]
 - (a) Lack of proper foundation.
 - (b) Self serving declarations.
 - (c) Hearsay.
 - (2) Exhibit 43. [R.T. pp. 145; 156-157.]
 - (a) No identification as to the authenticity of the Exhibit.
 - (b) Hearsay.
 - (c) No proper foundation.
 - (d) No identification as to the author of the Exhibit.
- d. The photographs [Exs. 12a through 12h and 44a]
 - (1) Exhibits 12a through 12h [R. T. pp. 67-68].
 - (a) Hearsay.
 - (b) Not demonstrative evidence.
 - (c) Lack of proper foundation.
 - (2) Exhibit 44a [R. T. pp. 145-147].
 - (a) No identification as to the authenticity of the exhibit.
 - (b) No identification as to the exhibit.
 - (c) The exhibit is dated more than 6 months after the contract of April 1, 1965 was taken and *after* the present action was commenced.
 - (d) No foundation as to when this exhibit was taken or by whom.
- e. Plaintiffs' Inter-Office Memoranda [Exs. 29, 30 and 32; R. T. pp. 134-137].
 - (1) Hearsay.

- (2) Correspondence between plaintiffs.
 - (3) They relate to a third party.
 - f. The Dun & Bradstreet Report [Ex. 39; R. T. pp. 134, 138].
 - (1) Hearsay.
 - g. Letters from plaintiff Addo Machine Co., dealers to plaintiff Addo Machine Co. [Exs. 53-57, incl.; R. T. pp. 305-310].
 - (1) No authentication as to the authors of these exhibits.
 - (2) Hearsay.
 - (3) Not addressed to the witness (George Agrell) but to someone else.
 - (4) The contents of these exhibits contain incompetent testimony.
 - (5) They are letters solicited after the present law suit was contemplated.
 - (6) Self serving declarations.
 - h. The letters from Addo-X dealers to Western Addo-X, not a party to this action [Exs. 61-65 incl.; R. T. pp. 310, 342, 345].
 - (1) No proper foundation laid.
 - (2) No authentication as to the authors of these exhibits.
 - (3) Hearsay.
 - (4) The contents of these letters contain incompetent testimony.
 - (5) They are letters solicited after the present law suit was contemplated.
 - (6) Self serving declarations.
2. The Lindeteves-Jacoberg letters [Exs. 8-11 inclusive, and Exs. 13, 14, and 16] and the Aktiebolaget-Tokyo letters [Exs. 17 and 18] were not offered into

evidence as to the truth of their contents [R. T. pp. 38, 72] and they were received into evidence only for the limited purpose to explain why plaintiffs acted as they did [R. T. p. 75], the attitude of plaintiff [R. T. p. 76], and to explain their action [R. T. pp. 76-78]. Furthermore the court stated that it would not decide the case on the basis of facts asserted in any letters. [R. T. pp. 70-76.] It was therefore error on the part of the trial court to make findings of fact and conclusions of law predicated on the truth of the contents of these letters.

3. a. There was no misrepresentation made by defendants to plaintiffs.

b. Plaintiff Aktiebolaget was duty-bound to investigate the defendants before issuing the license agreement to them.

4. The trial court erred in concluding that plaintiff Aktiebolaget was induced to enter into the license agreement of April 1, 1965 because of the fraudulent conduct of the defendants.

5. The trial court erred in allowing the plaintiffs to withdraw their second cause of action for trade mark infringement instead of entering judgment on the merits in favor of defendants on this cause of action.

6. The Court erred in concluding that defendants were guilty of unfair competition with the plaintiffs.

7. The Court erred in concluding that this was a patent case or of such complex nature as to entitle plaintiffs to an award of counsel fees and costs in the sum of \$36,905.17.

8. The crucial findings are not supported by the evidence and the findings do not support the judgment. Since these are numerous and detailed they are analyzed separately under Appendix B *infra*.

Summary of Argument.

1. a. Four adding machines are involved in this law suit. [R. T. pp. 144-145.]

(1) 341E—This model is produced by plaintiff embodying its patents.

(2) 4001—This model is a product of Toshiba. [Ex. 7.]

(3) 7001—This model is manufactured by TEC for Purer and sold by him in the U. S. [Ex. 33 and R. T. pp. 363-364.]

(4) 4011—This is the same as 7001.

b. Defendants contend as follows:

(1) Toshiba model 4001 does not embody any of plaintiff's patents and there is no evidence to support plaintiffs' claim that it does.

(2) Toshiba Model 4001 is not a copy of plaintiffs' Model 341E and there is no evidence to support plaintiffs' claim that it is.

(3) Toshiba Model 4001 is not the same as TEC model 7001 or 4011 and there is no evidence to support plaintiffs' claim that they are.

2. There is no competent evidence in the record that any dispute ever existed between plaintiff Aktiebolaget and Toshiba of Tokyo regarding the use by Toshiba of Aktiebolaget's patents, or that plaintiff Aktiebolaget ever attempted to prevail upon Toshiba to cease using their patents. Mere suspicion is not proof.

3. Fraud must be established by clear and convincing evidence. The presumption is to fair dealing and where one of two inferences can be made from a fact, the trial court must adopt the inference of fair dealing to that of fraud. The trial court should therefore have found that the plaintiff Aktiebolaget granted the license agreement of April 1, 1965 to defendant

Phillip Purer as a result of arms' length negotiations and with full knowledge that the adding machine would be manufactured by TEC in Ohito.

4. The explanation of Gunnar Agrell that he did not see the photographs of the plant or the words "NEW MODERN FACILITY IN OHITO" on defendant's stationery, assuming for the moment that it can be believed, still does not absolve plaintiffs of knowledge of its contents, nor can it be ignored in considering whether defendants made any fraudulent misrepresentations to plaintiff Aktiebolaget. Plaintiffs are charged with the knowledge of the photograph and the statement as a matter of law (Cal. Civil Code, sec. 19) and not having made any further inquiries of the defendants, the presumption is that they granted the license agreement with knowledge that defendants' adding machines would be manufactured by TEC in Ohito.

5. Plaintiffs were not entitled to withdraw their second cause of action for trade mark infringement and defendants were entitled to a judgment on the merits on this cause of action.

6. Plaintiffs failed to establish that the marks "Addo" and "Addo-X" had acquired a secondary meaning or that the public was confused into believing that the product of defendant was that of plaintiff. Plaintiffs therefore were not entitled to a judgment for unfair competition.

7. Plaintiffs failed to establish that the phrase "Machines for Millions" had acquired a secondary meaning or was in any way associated with plaintiff's products.

8. The cause was not tried as a patent case but as one whether a license agreement was obtained by fraud. Plaintiffs, therefore, were not entitled to an award of attorney's fees and costs.

ARGUMENT.

POINT I.

Regarding the Exhibits That Were Admitted Into Evidence Over Objection.

Plaintiff's theory is that in 1960 Toshiba of Japan produced a model 4001 adding machine which was an exact copy of plaintiff's model 341E adding machine, including the patented features, and that upon learning of this infringement and copying, Aktiebolaget attempted to have Toshiba refrain from this infringement and copying. If such a situation actually existed, plaintiffs had the means to establish it by proper and competent evidence. The proffered exhibits which are hearsay and were submitted without proper foundation, do not establish that Toshiba model 4001 was a copy of plaintiff's model 341E. (*National Labor Relations Bd. v. Englander Company*, 9th Cir., 1959, 260 F. 2d 67, 72.)

As Mr. Justice Cardozo stated in *Shepard v. United States*, 1933, 290 U.S. 96, 104; 54 S. Ct. 22, 25.)

"This fact, if fact it was, the government was free to prove, but not by hearsay declarations."

The exhibits in question, to which objections were interposed, should not have been admitted into evidence for any purpose or considered by the trial court in making its findings or rendering its decision. All of them are hearsay. One of the best reasons for the hearsay objection is to prevent the presentation of self serving declarations. Another is that it requires the person asserting the fact to be present in the courtroom and to subject himself to cross-examination for a proper determination of the truth (*Flinkote Company v. Lysfjord*, 9th Cir., 1957, 246 F. 2d 368, 382-383, cert. den. 355 U.S. 835, 78 S. Ct. 54.)

A. The Financial Reports [Exs. 3, 4 and 48].

Exhibit 3 is the annual report for the year 1965 and was offered into evidence to prove that plaintiff Aktiebolaget is a world wide organization. [R. T. p. 15.] It was admitted into evidence only for that limited purpose. [R. T. p. 16.]

Exhibit 4 was offered into evidence to establish the total sales volume in dollars of plaintiff Aktiebolaget and its subsidiaries. [R. T. pp. 16-17.] Although the books and records were kept in Malmo, Gunnar Agrell, the witness, never saw the books, only the records. [R. T. p. 17.] Exhibit 3 was not prepared by the witness, but by the accounting department of plaintiff at his request. [R. T. pp. 17, 19-20.] Over objection it was admitted into evidence. [R. T. pp. 20-21.]

Exhibit 48 represents a computation from the books and records of plaintiff Addo Machine Co. for the sales of that company for the years 1963 to 1967 which the witness George Agrell asked his accounting people to prepare. [R. T. p. 265.]

The second page of this exhibit represents the advertising expenditures for Addo Machine Company for the years 1963 to 1967 which the same witness asked his accounting people to prepare. [R. T. p. 266.]

Over objection, Exhibit 48 was admitted into evidence [R. T. p. 268] although they were not a correct portrayal of Addo's books and records [R. T. pp. 269-270]; and the Court was not impressed either with the exhibit or what it represented. [R. T. p. 289.] Then it developed that someone took off the figures from the books, presented them to the witness George Agrell, who proceeded to change them and after altering them had someone else type up what is now Exhibit 48. [R. T. pp. 289-290.]

No witness was produced to testify what books or records formed the basis for these exhibits or that the conclusions contained on these exhibits agreed with the original records or that the exhibits are really summaries of what the original records show. Their use was not even projected in the pre-trial order listing plaintiff's exhibits [R. T. pp. 543-547] and, of course, no testimony was offered that the sources of information and method and time of preparation was such as to indicate its trustworthiness (Ev. Code Sec. 1271 (d)); and the fact that Aktiebolaget is a world wide organization is not proper grounds for admitting these exhibits into evidence. [R. T. pp. 16, 513.]

Counsel for the plaintiff argues that although these exhibits were not admissible under Sec. 1732 of Title 28 (Business Records Act) they were admissible under Sec. 1509 of the California Evidence Code. [R. T. pp. 18, 267.] However, even under Sec. 1509 of the Evidence Code they would not be admissible. (*People v. Doble*, 1928, 203 Cal. 510, 515, 265 Pac. 184; Excerpt of opinion (Appendix C, p. 25).)

On October 10, 1966, an argument ensued as to whether defendants would be permitted to examine plaintiff's books and records to oppose their claim for damages. At that time plaintiff's counsel was informed that defendants would not accept their summaries but would insist upon their own examination. [R. T. 10/10/66; pp. 3-4; C. T. p. 439.] Rather than permit defendants to inspect plaintiff's books and records, plaintiffs waived their claims for losses.

Sec. 1509 of the Evidence Code, although it permits summaries to be used where the records are voluminous, still does not do away with the requirement that a foundation must first be laid that the original books and records are admissible. This requires someone fa-

miliar with the books and records to identify them and the entries, and it also allows defendants to examine the original books and records to determine if the summaries are correct. (*Sam Macri & Sons, Inc. v. U.S.A.*, 9th Cir., 1963, 313 F. 2d 119, 128-129.)

Exhibits 4 and 48 are nothing more than sheets of paper bearing typed figures and as evidence they are valueless.

B. Regarding the Lindeteves-Jacoberg Correspondence.

These letters are intended to indicate that an exchange of correspondence, including enclosures, took place between plaintiff Aktiebolaget and its agent Lindeteves-Jacoberg. The procedure described by the witness Gunnar Agrell was that plaintiff would forward the original of the letter to Lindeteves-Jacoberg in Amsterdam, Holland [R. T. pp. 178-179] who in turn would communicate with their subsidiary in Japan. [R. T. pp. 178-179.] There was no direct communication between plaintiff and Lindeteves-Jacoberg in Japan. [R. T. pp. 179-180.]

Plaintiff Aktiebolaget is a Swedish corporation and the witness Gunnar Agrell a Swedish citizen and resident of Malmo, Sweden, Lindeteves-Jacoberg is a Dutch firm located in Holland. Nevertheless the exhibits are all in *English* including the report from the Swedish Consul to its own countrymen [Ex. 16] and no one knows whether the originals, if ever there were any, were in Swedish, Dutch or Japanese. [R. T. p. 182.]

These letters were, of course, hearsay and their inadmissibility in evidence was recognized by counsel for plaintiff who offered them, not for the proof of their contents but that for some years prior to the negotiations between defendants and plaintiff, plaintiff was confronted with a copying of their adding machine by

Japanese people. [R. T. pp. 38, 72.] When the Court received these letters into evidence it did so not as establishing proof of facts asserted in these letters [R. T. p. 70] but for the reason why plaintiff acted the way they did and the fact that Lindevetes-Jacoberg did make certain suggestions. [R. T. pp. 75-79.]

The rule is well established that letters similar to the above exhibits are *not* admissible in evidence over objections. (*Palmer v. Hoffman*, 1943, 318 U.S. 109; 63 S. Ct. 757.) A leading case and one involving similar facts is *Standard Oil Company of California v. Moore* (9th Cir. 1957), 251 F. 2d 188, 217-218, cert. den. 356 U.S. 975, 78 S. Ct. 1139.) In this cause hundreds of exhibits were offered and received in evidence to prove an alleged unlawful combination. Most of these documents were produced by the appellant, pursuant to a notice to produce. The exhibits consisted largely of the originals or copies of letters, telegrams, memoranda and reports. The trial court received these exhibits under the theory that as Business Records they were an exception to the Hearsay Rule. (28 U.S.C.A. 1732.)

The Appellate Court in reversing held that these documents did *not* come within the meaning of Sec. 1732 of the Judiciary Code and that they should not have been admitted into evidence. Although the Court in reversing stated on page 217 that on a new trial some of the letters may be admissible, *after a foundation has been laid*, for limited and non hearsay purposes, such as to show the orders of a superior, pattern of business conduct, contemporary explanations of ambiguous conduct, notice, or motive. It must be borne in mind that these exhibits were appellants' own records which respondent offered into evidence. In other words, if the defendants in the present cause desired to use these exhibits for the purpose of binding the

plaintiffs, since they were the plaintiff's own documents, the defendants could use them for such a purpose. But the plaintiffs could not use their own documents of which defendants have no knowledge whatsoever, to bind the defendants or to show a course of conduct with others than the defendants.

On at least two occasions counsel for the plaintiff stated that these exhibits were *not* being offered as proof of their contents but only to explain why the witness acted the way he did [R. T. pp. 38, 72]; and the court so understood it. [R. T. p. 38.] When the Court allowed these exhibits into evidence it was done on the limited basis to explain why the plaintiffs acted the way they did [R. T. pp. 75-79] and in answer to defendants' objections the Court stated [R. T. p. 70]:

"The Court: I have not yet admitted the letters, Mr. Fairfield, and I am not about to admit the letters coming from Lindeteves-Jacoberg as establishment of proof of the facts asserted in those letters, but they will be admitted as a basis for action by these people. You understand?"

And on page 76 the Court further reiterated its position:

"In deciding this case I am not going to do it on the basis of facts asserted in any letters."

It now being clearly understood by all that the facts contained in these letters were *not* evidence in this cause, the trial court proceeded to ignore its own statements and made findings of fact predicated on the truth of the contents of these letters. These will be fully demonstrated in the analysis of the findings. (Appendix B, *infra*.)

Unquestionably there are exceptions to the hearsay rule and one of them is that letters may be received

in evidence not in proof of the statements contained therein but to show a state of mind to explain why the witness acted the way he did. In such an event authenticity of the documents need not be shown although at least a foundation should be laid that they were actually written and mailed and received at or about the time they were supposed to have been written. (*Phillips v. United States* (1965, 9th Cir.), 356 F. 2d 297, 307, cert. den. 384 U.S. 952, 86 S. Ct. 1573, citing *People v. Marsh*, 58 Cal. 2d 732, 26 Cal. Rptr. 300, 376 P. 2d 300, 305.) (Excerpt of opinion of *People v. Marsh*, Appendix C, p. 26.)

C. Photographs [Exs. 12a-12h Incl. and Ex. 44a].

Exhibits 12a through 12h are supposed to be photographs taken in 1963 of adding machines showing the similarity between Toshiba Model 4001 and plaintiff's Model 341-E. [R. T. pp. 48-51.] The witness, Gunnar Agrell, did not take these photographs, nor was he present when any were taken. His testimony is that they were taken in his laboratory upon his orders [R. T. p. 48] and delivered to him *after* they were taken. [R. T. p. 49.] They were then sent to Lindeteves-Jacoberg in Amsterdam, Holland [R. T. pp. 58-61] and that is the last anyone knows about these pictures taken in 1963. There is no evidence that Exhibits 12a through 12h are the same ones that were taken in 1963 and forwarded to Lindeteves-Jacoberg.

The purpose of Exhibits 12a through 12h was to show the similarity between Toshiba Model 4001 and plaintiff's Model 341E. Although the Court stated that it was not relying upon the truth of any of the Lindeteves-Jacoberg letters the Court relied upon the *contents* of one of the letters that the witness asked his agents in Japan to purchase a machine and that in due course a machine arrived. [R. T. p. 57.]

Assuming for the moment that Lindeteves-Jacoberg did forward an adding machine to plaintiff, nobody bothered to establish that the machine in question was purchased from Toshiba or that it even was a Toshiba machine. Definitely it was *not* established as a Model 4001 for Mr. Agrell testified that although there was a sign on the machine when it arrived, he didn't remember what it was [R. T. p. 53] and the only identification marks on these Exhibits were those done by the witness in December of 1965 when his deposition was taken in Stockholm. [R. T. pp. 54-55.] Since this was more than two years *after* the photographs were allegedly taken, and even after the action was commenced, as identification marks they are valueless.

Over extensive objections [R. T. pp. 143-148] the Court admitted into evidence Exhibit 44a on the specific representation of plaintiff's counsel that he would show that the machine in this photograph is Model 4001 and that it is the same as Model 4011. [R. T. pp. 143-147; 157.]

Exhibit 44a is an enclosure in a letter ostensibly written on November 25, 1965, again *after* the present law suit was commenced. [Ex. 43; R. T. p. 140.] No one knows who photographed Exhibit 44a and there is no identification of the model. Nor was the genuineness of Exhibit 43 ever established [R. T. pp. 147, 156-157] and the fact that defendants may be sales agents for Tokyo Electric Co. does not *ipso facto* establish the authenticity or genuineness of either Exhibit 43 or its enclosure Exhibit 44a. (Evidence Code, Secs. 1400-1401.)

Section 1400e of the California Evidence Code defines evidence as

“‘Evidence’ means testimony, writings, material objects, or other things presented to the senses that are offered to prove the existence or non existence of a fact.”

Consequently, the objects in the photographs, rather than the photographs, are what should have been presented to the court to determine whether there was any similarity between the tangible objects. Of course, where the original evidence is no longer available, or if for some reason it cannot be taken into Court, such as street intersections or locomotives, then the substitute evidence may be used, and it is then that photographs may be employed in lieu of the original objects. But in such an event a proper foundation must first be laid that the secondary evidence is a duplicate or at least a reasonable facsimile of the original. This rule is stated in 32 C.J.S. 989-990, Sec. 709, as follows:

“Photographs are admissible as secondary evidence of objects which cannot for one reason or another be produced in court, and they are also admissible as demonstrative evidence. Photographs are generally inadmissible as original or substitute evidence, but they must be sponsored by a witness whose testimony they serve to explain and illustrate, although they may be admitted not only as representing things to which a witness testified from his independent observation, but also as direct evidence of things which have not been described by a witness because they had not, or, as in the case of x-ray pictures, could not have come within his observation.”

In the present form not only were the original tangible objects not produced, but no explanation was even attempted why they were not available for use at the time of the trial. And although photographs may be admitted to aid a witness in explaining his testimony (*People v. Bowley*, 1963, 59 Cal. 2d 855, 860; 31 Cal. Rptr. 471, 382 P. 2d 591) there was no testimony given by the witness that could be clarified by the use

of the photographs. Moreover, the alleged foundation to establish the secondary evidence, mainly the use of the photographs in lieu of the originals, was inadequate. A witness of course may testify at the time a photograph was made and that it accurately depicts what it purports to show to lay the proper foundation for its admission into evidence. (*People v. Bowley, supra*, on p. 859.) But in the present cause no adequate foundation was ever laid as to the genuineness of these photographs and they should never have been admitted into evidence.

D. The Tokyo-Denki Letters [Exs. 17, 18 and 43].

Exhibits 17 and 18 were letters ostensibly sent by plaintiff to Tokyo Denki and were objected to on the grounds of no foundation laid, self serving declarations and hearsay. [R. T. p. 69.] They were received into evidence because it expressed a fact which was in issue, namely that plaintiff Aktiebolaget took a dim view of what the Japanese people were doing in that respect. [R. T. p. 79.]

These exhibits were not composed by the witness, Gunnar Agrell, but by one T. Odervall [Exs. 17 and 18; R. T. pp. 65-66] and although the witness testified that he saw them before they were sent, no proof of mailing was offered or other evidence submitted that it was ever received by the addressee.

Cal. Evidence Code Sec. 641 reads:

“A letter correctly addressed and properly mailed is presumed to have been received in the ordinary course of mail.”

It is elementary that this requires some testimony that the alleged letters were enclosed in an envelope, properly addressed and with sufficient postage deposited in a place under the control of a postal department

for the delivery of mail although it is questionably whether this presumption applies when a letter is mailed in a foreign country. (*Oliver v. Newburyport*, 1807, Mass., 3 Mass. 37, 43.) In any event there was no proof these exhibits, were ever mailed to Tokyo-Denki and of course no proof that Tokyo-Denki ever received them. [R. T. p. 71.]

As to Exhibit 43 no attempt was made to authenticate this exhibit or demonstrate its genuineness. (Evidence Code, Secs. 1400-1401.) It is of course basic that it is error to admit into evidence a letter without proving that it was written by the person to be charged by the contents. (*Sinclair v. Wood*, 1853, 3 Cal. 98, 100.)

In *People v. LeDoux*, 1909, 155 Cal. 535, 550, 102 Pac. 517, it is stated:

“Where [a private writing is] not acknowledged, a writing must be proved in one of three ways. By any one who saw the writing executed, or by evidence of the genuineness of the handwriting of the maker, or by a subscribing witness. . . . Such execution must be shown before it is entitled to admission.”

In *Richmond D. Co. v. Atchison etc. Ry. Co.*, 1916, 31 Cal. App. 399, 160 Pac. 862, one Cutting, the president of plaintiff company, testified that he received certain letters from a Mr. Ball who was defendant's engineer in charge of work. Although the witness was in almost daily communication with Ball, and the letter in question was in response to a communication had between him and Ball, he did not testify that he knew the signature of Mr. Ball, nor that he saw either of Ball's letters written nor that he was a subscribing witness thereto. The Court held that there was no proper foundation laid as to the authenticity of these letters and it was error to receive them in evidence.

In urging the admission of Exhibit 43, plaintiff's counsel argued that Exhibit 43 is proof that Tokyo Denki received Exhibits 17 and 18. [R. T. pp. 156-157.] This argument could have some merit if the authenticity of Exhibit 43 was established, for without proof that Exhibit 43 is genuine, obviously its contents are unreliable. Moreover, Exhibit 43 is dated after the present law suit was commenced and can hardly be called an answer to an alleged communication of approximately 20 months earlier.

The argument that each exhibit, without a proper foundation for itself, acts as a foundation for the other and thus establishes a basis for their admission into evidence is circular reasoning that is not accepted by the Court. (*People v. Huskins*, 1967, 245 A.C.A. 923, 929-930; 54 Cal. Rptr. 253.)

Tokyo-Denki is not a party to this action and of course any communication between plaintiff and Tokyo-Denki would not be binding on the defendants. Plaintiffs could easily have obviated the difficulty of proving the fact relied upon in these exhibits and the Lindeteves-Jacoberg letters by taking the depositions of all those involved. Plaintiffs are not destitute litigants. [R. T. p. 70.] The comment by the Court that defendants are sales agents for Tokyo Electric Co. Ltd. is not sufficient grounds to admit Exhibit 43 into evidence without a showing at least that defendant is bound by the conduct of Tokyo Electric and that Tokyo Electric is responsible for the conduct of defendants.

E. The Inter Office Memos [Exs. 29, 30, 32].

Exhibits 29, 30 and 32 are an exchange of letters between Gunnar Agrell and his brother George. They were offered into evidence to bring

“ . . . to the attention of the American sales agent of this copying that was going on, and I

don't think the other letters will stand on themselves without the support of this, and they introduce the subject because they flow in a natural sequence from the April 1st letter as an inquiry."

[R. T. p. 135.]

Exhibit 29 was admitted as part of the basis for Mr. Agrell having written to Purer. [R. T. p. 135.] Exhibit 30 was admitted but the Court didn't know for what purpose [R. T. p. 136] and Exhibit 32 for the purpose of continuity only. [R. T. p. 137.]

It is respectfully submitted that these Exhibits do not belong in evidence and the objections to their admission should have been sustained. [R. T. p. 134.] *Standard Oil Co. of Calif. v. Moore*, 9th Cir., 1957, 251 F. 2d 188, 212, 215, cert. den. 356 U.S. 975, 78 S. Ct. 1139.

F. The Dun & Bradstreet Report [Ex. 39].

Dun & Bradstreet reports are hearsay and are not admissible in evidence. (*Missouri Pacific Railroad Co. v. Austin*, 5th Cir., 1961, 292 F. 2d 415, 420-421.)

G. Letters From Addo Dealers [Exs. 53 through 57 Incl.].

It is respectfully submitted that under no theory were these letters, not addressed to the witness George Agrell but to Monroe Oppenheimer, admissible in evidence. Although the trial Court stated that they were admissible in evidence as an exception to the Hearsay rule to establish the serious effect of defendant's conduct on plaintiff's distributorships throughout the country [R. T. p. 308] it is respectfully submitted that the statements in these letters are hearsay, not admissible and should not have been considered by the Court at all. (*Continental Oil Co. v. United States*, 9th Cir., 1950, 184 F. 802, 813.)

As evidence, even considered as sworn statements, which they are not, they had no probative value and were inadmissible. (*Skinner Mfg. Co. v. General Foods Sales Co.*, D.C. Neb., 1943, 52 F. Supp. 432, 438, affd. 143 F. 2d 895; cert. den. 323 U.S. 766, 65 S. Ct. 119; *Model-etts Corp. v. March Co.*, D.C.N.Y., 1953, 118 F. Supp. 259, 263.)

Although counsel for the plaintiff objected to characterising these exhibits as solicited for the purpose of litigation [R. T. p. 305] and the Court stated that it has not concluded that the letters were solicited and were deliberately prepared for the purpose of this litigation [R. T. p. 306] the fact is that these exhibits were solicited and were deliberately prepared for the purpose of this litigation for the following reasons:

a. These exhibits were all prepared in answer to an inquiry of Monroe Oppenheimer, "Dealer Sales Manager".

b. They are dated between November 2nd and November 4th, 1965, long after counsel for the plaintiffs was retained by plaintiffs to represent them in this cause and within a few days of the filing of the complaint in this action. Counsel for plaintiff in this cause was retained on October 5, 1965. [C. T. p. 617.]

c. Although the original complaint ostensibly arose out of exhibiting defendant's machine at the NOMDA convention in Chicago in June, there is no correspondence whatsoever for the months of June, July, August, September or October. [Except Ex. 64 which will hereinafter be explained.]

d. A reading of any one of these exhibits indicates that it was not a spontaneous outburst but rather an attempt to set forth facts in answer to a request.

Although expression of attitude is a state of mind which is a well recognized exception to the hearsay rule as stated by the trial court [R. T. p. 308] that state of mind refers to the witness on the stand that is testifying under oath as to an issue in the case and who, of course, may be cross examined. (*Cope v. Davison*, 1947, 30 Cal. 2d 193, 200, 180 P. 2d 873.)

Unverified statements of distributors, even in a motion for a preliminary injunction, are hearsay without any probative value whatsoever. (*Model-etts Corp. v. Merck*, D.C.N.Y., 1953, 118 F. Supp. 259, 263.) At a trial it is valueless for a trial demands the testimony of a witness taken orally in open court. (Fed. Rules Civ. Prod. Rule 43(a).)

H. Letters From Addo Dealers [Exs. 61-65 Incl.].

The objections to these exhibits going into evidence are the same as those to Exhibits 53 to 57. [R. T. p. 345.] In addition the Court should note:

a. That Exhibits 61, 62, 63 and 65 are all dated November 1, 1965 and addressed to Western Addo-X and Western Addo-X is not a party to this action. This hardly can be construed as not an attempt to solicit information for the purpose of trial.

b. Exhibit 64 is addressed to Mr. Gronhagen from H. B. Pinyan, one of the Western Addo-X dealers. Pinyan's testimony was that he wrote it at the suggestion of Mr. Carlson, the Sales Manager of Western Addo-X. [R. T. p. 419.]

POINT II.

Regarding the Extra Judicial Statements of Defendant.

Although defendant Phillip Purer was present throughout the entire trial, plaintiffs refrained from calling him as a witness. (Fed. Rules Civ. Proc., Rule 43(b).) Instead plaintiffs called as a witness George Agrell, President and sole shareholder of plaintiff Addo Machine Co. to testify that defendant Purer orally stated to him that he was working with Toshiba, that he had seen the Model 4001 machine and was interested in importing and marketing the machine in the United States but that Toshiba wouldn't do so since it was in conflict with Aktiebolaget's patents which is why Purer approached Aktiebolaget to obtain the patents and thus clear the way for the import of the Toshiba machine into the United States [R. T. p. 281], and Carl Gronhagen president of Western Addo-X [R. T. p. 319] that Purer had stated to him that the machine was already in manufacture at the time he started negotiations for the license agreement. [R. T. p. 341.]

An analysis of the testimony of these two witnesses, however, does not indicate that Purer practiced any fraud upon plaintiff Aktiebolaget, for what these witnesses contend Purer stated to them does not rise to the dignity of evidence sufficient to sustain a finding. Substantial evidence is more than a scintilla and must do more than create a suspicion of the facts established. (*Morrison-Knudson Co. v. N.L.R.B.*, 9th Cir., 1960, 276 F. 2d 263, cert. den. 366 U.S. 909, 81 S. Ct. 1082.) It is also to be noted that plaintiff declined the Court's suggestion that Toshiba's conduct be established by Mr. Purer. [R. T. p. 162.] Moreover, on discovery proceedings plaintiffs failed to furnish any

facts to support their contention that Purer had any knowledge of what was transpiring between plaintiff Aktiebolaget and Toshiba [Interrogatories XII-XIV, C. T. pp. 289-290; Motion for more complete answers, C. T. p. 279 and order denying motion, C. T. p. 317.]

A. Regarding the Testimony of George Agrell.

Assuming for the moment the incredible tale that Purer communicated with George Agrell for the purpose of advising him of his transgressions, the testimony of the witness is too uncertain to have any probative value.

No one was present at this meeting except the witness and Purer and although at least 30 to 45 minutes were spent at this conference [R. T. p. 280] and he made notes of what transpired five minutes after Purer left [R. T. p. 297] his testimony as to what was said is clearly weighted, confused and unsatisfactory.

On direct examination he stated that Purer said that in his relations with Toshiba he had seen the BC 4001 machine [R. T. p. 281] but on cross-examination admitted that he inserted the number to identify the machine. [R. T. pp. 297-300.]

In his direct examination he stated that "Purer told me that he had been working with the Toshiba people" [R. T. pp. 280-281] but on cross-examination when asked whether Purer used the word Toshiba answered that *he* (Agrell) used "Toshiba" [R. T. p. 298] and then proceeded to further qualify his answer that Purer probably did or didn't [R. T. p. 298] and then flatly stated yes. [R. T. p. 299.]

Since in September of 1965 when this conference took place only TEC machine models 7001, 7002 and 7003 were involved [Exs. 33 and 49] which were

manufactured by Tokyo Electric Company the gratuitous insertion of Toshiba and Model 4001 into the conversation as statements coming from Purer deprives the testimony of this witness of any probative value. Nor should it be overlooked that this witness couldn't recall if one or two conferences took place between him and Purer [R. T. p. 302]; he couldn't recall if Purer visited him in Chicago [R. T. p. 301] and his unusual statement at he doesn't know if Purer called him; but he didn't call Purer. [R. T. p. 296.]

In *Herbert v. Lankershim*, 1937, 9 Cal. 2d 409, 472, 71 P. 2d 220, the Court quoted from *Morton v. Mooney, et al.*, 97 Mont. 1 [33 P. 2d 262] as follows:

“ ‘While the jurors are the sole judges of the facts, the question as to whether or not there is substantial evidence in support of the plaintiff's case is always a question of law for the court (citation), and in determining this question “the credulity of courts is not to be deemed commensurate with the facility and vehemence with which a witness swears. ‘It is a wild conceit that any court of justice is bound by mere swearing. It is swearing creditably that is to conclude the judgment.’ ” ” ” ”

The uncertainty of George Agrell's testimony is extremely important since it was presumably offered as an admission by Purer to establish that he was aware of the alleged dispute between Aktiebolaget and Toshiba and that with such knowledge was intending to obtain patent rights from Aktiebolaget. But as an admission it was valueless. In *Evis Manufacturing Co. v. F.T.C.*, 1961, 9th Cir., 287 F. 2d 831, 842, cert. den. 368 U.S. 824, 82 S. Ct. 43, the court in discussing what is an admission quoted from 31 C.J.S.,

Evidence, Sec. 277, page 1029 citing *Pulver v. Union Inv. Co.*, 8th Cir., 279 F. 2d 699, 705 as follows:

“ ‘An admission must be certain, consistent, and definite. * * * It must be couched in language reasonably capable, without forced or strained construction, to bear the interpretation sought to be placed on it. Conjectural and suppositious statements are excluded (citing cases.)’ ”

In *Luria Bros. & Co. v. United States*, 1966, C.C.P.A., 369 F 2d 701, 713, the court commented on the un rebutted testimony of the witness Crawford as follows:

“However, we cannot ignore the fact that he was plaintiff’s former employee and had been over a period of 10 years. While he was not in plaintiff’s employment at the time he testified, he quite properly had a certain predeliction for his old employer and wanted ‘to help them out’ all he could. His sympathy was naturally with his former employer rather than with the Government. We do not mean that the witness was dishonest, but we do think he made his estimates as high as he could to the extent his conscience would permit.”

Moreover the alleged admission is untrue from what the witness states Purer said. Plaintiff contends that Toshiba insists that its Model 4001 was the product of independent research and design and not a copy of plaintiff’s machine [Finding of Fact 28, C. T. p. 594] and Toshiba never admitted that it was infringing on plaintiff’s patents or using its patents. It is only the plaintiffs who make the claim that Toshiba was copying and infringing. Purer never could have received this information from Toshiba and it is obvious that this alleged statement attributed to Purer was created by the witness.

B. Regarding the Testimony of Carl Gronhagen.

Although Mr. Gronhagen had at least three separate conversations with Purer [C. T. p. 492, item 3] the substance of these conversations were denied to defendant prior to trial [C. T. pp. 493-494; R. T. 12/12/66, pp. 3-5] and the trial court refused to allow discovery proceedings to determine what was said at these conversations. [R. T. 12/12/66, pp. 5-7; C. T. p. 555.]

Mr. Gronhagen testified as to only one conversation, Sept. 11, 1965 [R. T. p. 335] and after refreshing his recollection [R. T. p. 337] related his version of what was stated. [R. T. p. 338.] Later upon questioning of his attorney he added that the defendant said that the machine was in production at the time that he started negotiations for the license agreement. [R. T. p. 341.]

Assuming for the moment that Purer did make such a statement, it carries no probative force as to any of the issues in this cause. No attempt was made to detail the entire conversation so as to intelligently understand what they were talking about or to pin down the time when "they were proceeding to manufacture this machine, this Japanese machine." [R. T. p. 338.]

Nor is the machine that they were talking about identified for both the question and answer refer only to "this machine" and "the machine" [R. T. pp. 340-341] and Exhibit 59 for identification which this witness used to refresh his recollection [R. T. p. 33] refers to several machines, none of which are identified by number. Was the conversation about the machines produced by Tokyo Electric Co. and which are recited in Exhibits 49 and 52? If so, they concern Models 7002 and 7003 which are not involved in this

law suit. Or was it about the Toshiba machine which Toshiba had a right to use? [R. T. p. 183.] No one bothered to explain and this statement, presumably out of context is meaningless as evidence.

The point the appellant is making is that considering the interest of Gronhagen in the litigation, his vague testimony of an alleged admission by Purer is so uncertain as to have no probative value at all. At best it is only speculation and suspicion, insufficient to sustain a finding.

POINT III.

Regarding the Fraud of the Defendants.

The plaintiffs contended and the Court found that the plaintiff Aktiebolaget was induced to enter into the contract of April 1, 1967 [Ex. 26] because of the fraudulent representations made by the defendants. These misrepresentations are recited in Findings of Fact 37-46 inclusive. [C. T. pp. 595-599.]

Basically, the law as to fraud is as follows:

1. The presumption is always against fraud and approximates in strength to that of innocence of a crime.

Truett v. Onderdonk (1898), 120 Cal. 581, 588; 53 Pac. 26;

Hedden v. Waldeck (1937), 9 Cal. 2d 631, 636; 72 P. 2d 114 (Excerpt of opinion, Appendix C, pp. 26-27);

Raine v. Spreckels (1942), 54 Cal. App. 2d 169, 173; 128 P. 2d 709;

Trousdell v. Equitable Life Assur. Co. (1942), 55 Cal. App. 2d 74, 76; 130 P. 2d 173 (Excerpt of opinion, Appendix C, p. 28);

Gold v. Maxwell (1959), 176 Cal. App. 2d 213. 218; 1 Cal. Rptr. 226.

2. There can be no actual fraud without an intent to deceive.

Cardosa v. Bank of America (1953), 116 Cal. App. 2d 833, 837, 254 P. 2d 949.

3. In fraud, the misrepresentations must be deliberate.

Pullen v. Heyman Bros. (1945), 71 Cal. App. 2d 444, 453, 162 P. 2d 961.

4. Fraud can be established only by clear and convincing evidence.

Jarnatt v. Cooper (1881), 59 Cal. 703, 706;

Ward v. Waterman (1890), 85 Cal. 488, 504, 24 Pac. 868 (excerpt of opinion, Appendix C, p. 27);

Gold v. Maxwell (1959), 176 Cal. App. 2d 213, 218, 1 Cal. Rptr. 226.

5. If there are two inferences to be drawn from the facts, one favoring fair dealing and the other corrupt practice, it is the express duty of the trier of fact to draw the inference of fair dealing.

Ryder v. Bramberger (1916), 172 Cal. 791, 799-800, 158 Pac. 753 (Excerpt of opinion, Appendix C, pp. 28-29).

6. The facts to establish fraud must be of such a character that no other reasonable conclusion except that of evil design may be drawn from the person whose acts are sought to be impuned.

Hershey v. Reclamation District No. 108 (1927), 200 Cal. 550, 567, 254 Pac. 542;

Hedden v. Waldeck (1937), 9 Cal. 2d 631, 636; 72 P. 2d 114.

7. The inference from the facts are to fair dealing rather than corrupt practice. To hold otherwise would

permit a conclusion of fraud to be based on suspicion and conjecture, which are insufficient to overcome the presumptions against fraud.

Tinsley v. Bauer (1954), 125 Cal. App. 2d 714, 723, 271 P. 2d 110;

Trousdell v. Equitable Life Assur. Co. (1942), 55 Cal. App. 2d 74, 76, 130 P. 2d 173.

8. As a proposed licensee, plaintiff had a duty to investigate defendants, particularly since certain facts were drawn to its attention by the picture and statements on Exhibits 20 and 22. (*Oppenheimer v. Clunie* (1904), 142 Cal. 313, 318, 75 Pac. 899.)

The federal court in the Ninth Circuit has, of course, followed California law since substantive law governs all non-federal causes of action.

In *Robinson v. Reed-Prentice Corp.* (9th Cir., 1961), 286 F. 2d 418, 419 it is stated:

“Substantive state law governs in all non-federal causes of action. *Erie R. Co. v. Tompkins*, 1938, 304 U.S. 64, 58 S. Ct. 817. This includes burden of proof. *Cities Service Oil Co. v. Dunlop*, 1939, 308 U.S. 208, 60 S. Ct. 201.”

In *Canada Life Assurance Co. v. Houston* (9th Cir., 1957), 241 F. 2d 523, it was stated on page 538:

“In a case of this kind the insurance company has the burden of proving fraud. As was said in *Truett v. Onderdonk*, 1898, 120 Cal. 587, 588, 53 Pac. 26, 29: ‘The presumption is always against fraud,—a presumption approximating in strength to that of innocence of crime, . . .’ ”

In *Ettlinger v. Connecticut General Life Ins. Co.* (9th Cir., 1949), 175 F. 2d 870, 872, it was stated:

“In light of all appellant’s testimony, keeping in mind the rule that fraud must be established by clear and convincing evidence, . . .”

And in *United States v. Eleven Certain Parcels of Land in Tulare County* (S.D. Calif., 1942), 45 F. Supp. 289, 290, it was stated per J. F. T. O’Connor, District Judge:

“Fraud is never presumed. The burden is upon the party alleging fraud to prove it. *Hedden v. Waldeck*, 9 Cal. 2d 631, 72 Pac. 114; 31 C.J.S. Evidence, Sec. 103, p. 708. It is presumed that individuals deal fairly and honestly and fraud is the exception.”

With these basic principles of law in mind, it is obvious that plaintiff Aktiebolaget did not rely upon any alleged misrepresentations of Purer to issue the license agreement of April 1, 1965. Since the negotiations between plaintiff and defendant that led to the issuance of the license agreement were all in writing [Exs. 20-28], the findings of the trial court, therefore, as to the meaning of these exhibits are not binding on this Court for an Appellate Court is in as good a position as a trial judge to interpret documentary evidence. (*Upjohn Company v. Schwartz*, 2d Cir. 1957, 246 F. 2d 254, 261.)

On December 1, 1964, when plaintiff first received Exhibit 20, Gunnar Agrell had never heard of defendants. But he had heard of Tokyo Electric and TEC prior to that time [R. T. pp. 185, 257] despite his

claim that his first knowledge of TEC was in June of 1965.

But regardless, under Cal. Civil Code, Section 19 plaintiff would be charged with knowledge as a matter of law of TEC, the picture on Exhibit 20 and the statement "NEW MODERN FACILITY IN OHITO" on Dec. 1, 1954 at the time plaintiff received Exhibit 20. (*Consolidated R & P Co. v. Scarborough*, 1932, 216 Cal. 698, 703-704, 16 P. 2d 268.) Plaintiff was thus put on actual notice of circumstances sufficient to put a prudent person upon inquiry and since they had never heard of defendants before, a prudent person would make an inquiry and investigate them (*Beresford v. Horn*, 1954, 127 Cal. App. 2d 89, 91, 273 P. 2d 302). We must also bear in mind that Gunnar Agrell is not a gullible person, but a capable, experienced individual, expert in his field, a leader in many enterprises and Chairman of the local board of the Scandinavian Bank. [R. T. pp. 10-13; *Standard Lumber & Mfg. Co. v. Johnstun*, 9th Cir., 1960, 285 F. 2d 301, 304.]

Upon receipt of Exhibit 20 on December 1, 1964, Gunnar Agrell immediately considered a license agreement with Purer despite the fact that plaintiff Aktiebolaget had a contract with plaintiff Addo Machine Co. wherein the latter was the exclusive distributor of the Addo machine in the United States containing the patented items. [R. T. p. 174.] He envisioned a situation where Purer would sell more adding machines in the United States bearing the patented items than his brother George and as an experienced business man

he knew what was required to produce 20,000 machines a year—or even 10,000 machines. His testimony that he wrote over the picture and that in the course of so writing did not see the words TEC, the photograph of the plant, or the words “NEW MODERN FACILITY IN OHITO,” is just not believable. In any event Purer cannot be accused of concealing this information just because the witness testified he didn’t see it.

In further correspondence Gunnar Agrell was specifically told that the agreement should not only be made out to Purer & Co. but also to the *manufacturer* for Purer & Co. [Ex. 22] thus informing the plaintiff in no uncertain words that the machine would be made by someone else for the defendant. That plaintiff so understood it is evident by the agreement [Ex. 26] which expressly refers to the manufacturer in the opening paragraph and in paragraph 8 details the right of the manufacturer to use the patents. The answer of Gunnar Agrell that he did not associate the picture on Exhibits 20 and 22 with the manufacturer is again no fault of defendant Purer for it was specifically drawn to plaintiff’s attention.

Despite the fact that Addo Machine Co. was the exclusive distributor of Aktiebolaget products in the United States, Gunnar Agrell never informed his brother George of the negotiations with Purer or the license agreement that was subsequently executed. In June, when George learned of this agreement, communications ensued between Gunnar and George which resulted in a decision to cancel the agreement of April 1, 1965 [R. T. pp. 222-230] and on June 30, 1965 George

wrote to defendant that his license agreement was invalid because procured by fraud [Ex. B.] But Gunnar was still seeking grounds for cancellation, for on July 1, 1965, he wrote Purer and inquired:

“Is your company fully or partially owned by Toshiba, any subsidiary company to Toshiba or any other Japanese company?” [Ex. 37.]

to which Purer on July 12, 1965 answered “No”. [Ex. 38] whereupon on July 22, 1965 plaintiff proceeded to cancel the agreement because defendant conceded

“the existence of an intimate link with Japanese interests engaged in unauthorized copying of our machines which we have been attempting to stop through appropriate channels in Japan.” [Ex. 40.]

It is also to be noted that one of the attorneys referred to in Exhibit 40 that Gunnar Agrell consulted was Mrs. Flesch, the author of Exhibit B [R. T. p. 230] and it is also to be noted that Exhibit B was dispatched *before* Gunnar Agrell received the Dun & Bradstreet report [Ex. 39, R. T. pp. 126-127] although the purpose of Exhibit 39 was to show that Gunnar Agrell relied upon this report to cancel the agreement of April 1st. [R. T. pp. 137-138.]

Exhibits 20-25, 28, 34, 35, 37, 38 and 40 do not set forth any fraudulent representations on the part of defendants. Exhibits 20-25 indicate that after negotiations the plaintiff entered into a valid agreement which it later regretted and Exhibits 40 and B indicate a deliberate attempt to rescind a valid agreement.

While it is true that Gunnar Agrell testified that he decided to terminate the contract between the 12th and 22nd of July [R. T. p. 224] the fact still remains that that decision was reached in June. [Ex. B.] Having arrived at that decision, Gunnar Agrell in July

began to seek an excuse to cancel the license agreement.

Where testimony is in conflict with contemporaneous documents, the testimony can be given little weight even to an appellate court, particularly when the crucial issues involve mixed questions of law and fact. In such a situation it will not support a finding. (*United States v. United States Gypsum Co.*, 1947, 333 U.S. 364, 396, 688 S. Ct. 535, 542, rehear. den. 333 U.S. 869, 68 S. Ct. 788.) In the present cause, because of Exhibit B, there is no basis to support any findings that Aktiebolaget was justified in rescinding the license agreement on July 22, 1965. [Findings of Fact 57-58; C. T. p. 600.]

Plaintiffs should not be permitted to disavow the license agreement because Gunnar Agrell testified that he didn't notice the photograph or statement on Exhibits 20 and 22 and didn't associate either with Purer's source of manufacture. In *Dunlap v. Warmack*, 8th Cir. 1967, 370 F. 2d 876, the Court in reversing a judgment under similar circumstances stated on pages 884-885:

"In summary, we do not believe contractor should be relieved from its written obligations because of the negligence of its president in failing to read the contract before signing it. Written and binding contracts should not be cast aside on the uncorroborated and contradicted testimony of an interested party. We conclude that more proof was required than appears in this record before a court is justified in holding that the contract specifications do not control."

POINT IV.

Regarding the Question of Unfair Competition.

Plaintiffs in their third cause of action charged unfair competition. [C. T. pp. 7-8.] They allege that the name “Addo” in the marketing of adding and other business machines has acquired a secondary meaning in the industry and the public and is identified solely with plaintiffs. [Paragraph XVII; C. T. p. 7.] Then, by incorporating all of the allegations of their second cause of action [Par. XVI; C. T. p. 7] they charge unfair competition. [Par. XVIII, C. T. p. 7.]

At the time of the pre-trial plaintiffs inserted an additional ground of unfair competition; namely whether defendants’ importation and sale of adding machines incorporating plaintiffs’ patents after July 22, 1965 [the date of Ex. 40] constituted unfair competition. [Issue No. 5; C. T. p. 548.] Defendants objected to the addition of this new charge of unfair competition but their objection was overruled and it was allowed to remain as an issue in the cause. [R. T. 12/12/66, pp. 15-19.]

It is respectfully submitted that as a matter of proof plaintiffs have established nothing to support their charges of unfair competition.

Fundamentally to establish a charge of unfair competition, the proponent must prove two things:

1. That the name (or slogan) has acquired a secondary meaning with the *public*, so that the name or slogan is identified by the public with the goods of the producer.
2. That the *public* (isolated individuals is insufficient) has purchased defendants’ goods believing it is that of the plaintiffs. This is commonly referred to as “palming off.”

A. As to Secondary Meaning.

In *Kellogg Co. v. National Biscuit Co.* (1938), 305 U.S. 111, 118, 59 S. Ct. 109, 113, it is stated:

“But to establish a trade name in the term ‘shredded wheat’ the plaintiff must show more than a subordinate meaning which applies to it. It must show that the primary significance of the term in the minds of the consuming public is not the product but the producer.”

In *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.* (1938), 308 U.S. 315, 336, 59 S. Ct. 191, 201-202 it was held that secondary meaning of a mark arises when the public associates the goods which are used with the goods of the owner of the mark.

In *Everest & Jennings, Inc. v. E. J. Manufacturing Co.* (9th Cir., 1959), 263 F. 2d 254, it was stated on pp. 259-260:

“The trade-mark is entitled to protection only if it has acquired a secondary meaning and has come to indicate that the products in connection with which it is used are the products manufactured by the plaintiff corporation.”

In *Chun King Sales v. Oriental Foods* (S.D. Calif., 1955) 136 F. Supp 659, 663-664 (aff’d in part and reversed in part on other grounds, 244 F. 2d 909) Chief Judge Yankwich quoted from *Zargerle Peterson Co. v. Venice Furniture Novelty Mfg. Co.*, 7th Cir., 1943, 133 F. 2d 266, 270, adding emphasis, as follows:

“‘To establish secondary meaning, the article itself must be so clearly identified with its source that its supply from any other source is clearly calculated to deceive the public and lead it to pur-

chase the goods of one for that of another. Sinko v. Snow-Craggs Corp. 7 Cir., 105 F. 2d 450. To acquire a secondary meaning in the minds of the buying public, an article of merchandise when shown to a prospective customer must prompt the affirmation, ‘*That is the article I want because I know its source,*’ and not the negative inquiry as to, ‘*Who makes that article?*’ In other words, the article must proclaim its identification with its source, and not simply stimulate inquiry about it.’ ”

In California it is also required that plaintiff plead and prove that its name has acquired a secondary meaning (*Dino, Inc. v. Boreta Enterprises, Inc.*, 1964, 226 Cal. App. 2d 336, 338-339, 38 Cal. Rptr. 167.) In *Jackson v. Universal International Pictures*, 36 Cal. 2d 116, 119, 222 P. 2d 433, the plaintiff produced the testimony of five independent witnesses to establish the secondary meaning to the title of his play.

Referring now to the present cause, not a single witness was produced, nor was any evidence offered to prove that the name “Addo” or the phrase “Machines for Millions” was in any way associated with the product of plaintiffs. The mere fact that plaintiff Aktiebolaget is a world wide organization or that plaintiff Addo Machine Co. has over 800 dealerships, is not proof that in the mind of the public the name or slogan is associated with either of plaintiffs. That is not to say that such a conception on the part of the public does not exist, but it is to say that there is no *proof* in this law suit that it does exist. Nor do Exhibits 3, 4 and 48, assuming for the moment that they have evidentiary value, or the self serving statements of either Gunnar Agrell or George Agrell as to their enormous

empire, establish as proof of a fact that in the public's mind "Addo" or "Machines for Millions" means plaintiffs' products.

Exhibits 53 through 57 inclusive and 61 through 65 inclusive (the letters from dealers of plaintiff Addo Machine Co. and from Western Addo-X) again assuming that they are properly in evidence, also do not establish as a fact in this law suit the mind of the public. At best they relate only the unsworn opinions of those who are clearly associated with plaintiffs, which is not the public mind and which again is not evidence of the public mind. (*Skinner Mfg. Co. v. General Foods Sales Co.*, D.C. Neb., 1943, 52 F. Supp. 432, 448 affd. 143 F. 2d 895, cert. den. 323 U.S. 766, 65 S. Ct. 119; *Model-Etts Corp. v. Merch & Co.*, S.D.N.Y., 118 F. Supp. 259, 263.)

B. As to Confusion.

The second element necessary in an action for unfair competition is "confusion" and again this is the confusion in the mind of the *public* in believing that in purchasing the product of the defendant they are acquiring that of the plaintiff. In essence, an

"... imitator of another's goods must sell them as his own production. He cannot lawfully palm them off on the public as the goods of his competitor. The manufacturer or vendor is entitled to the reputation which his goods have acquired and the public to the means of distinguishing between them and other goods; and protection is accorded against unfair dealing whether there be a technical trade-mark or not. The wrong is in the sale of the goods of one manufacturer or vendor as those of another." (*William R. Warner & Co., v. Eli Lilly & Co.*, 1924, 265 U.S. 526, 531, 532, 44 S. Ct. 615, 618.)

In *Mershon Company v. Pachmayr*, 9 Cir., 1955, 220 F. 2d 879, 881, cert. den. 350 U.S. 885, 76 S. Ct. 139, it is stated:

“Then, too, the use of any certain method of selling an article may be perfectly fair in itself, but illegal when it is practiced with the intent to deceptively pass off goods of one for goods of another. We mention these fundamental principles merely to point up the inherent relationship between trade-marks and unfair trade. So important to the commercial world are marks which indicate the source of an article in trade that the common law has long afforded protection to them and latterly statutory law has been enacted for that purpose. Title 15, U.S.C.A. Paragraph 1114 (1) et seq.”

Confusion, just as secondary meaning, relates to the state of mind of the *public*, not of dealers or those clearly related to plaintiffs. It is determined from the patron's state of mind when confronted by the mark. (*Tisch Hotels, Inc. v. Americana Inn*, 7 Cir., 1965, 350 F. 2d 609, 612.)

In an action for unfair competition, where secondary meaning of the mark has been established, only likelihood of confusion need be proved; but if secondary meaning has not been established, plaintiff must prove actual confusion (*Norwich Pharmacal Co. v. Sterling Drug, Inc.* (2 Cir., 1959), 271 F. 2d 569, 571; cert. den. 362 U.S. 919, 80 S. Ct. 671.) In the present cause no actual confusion was shown [R. T. p. 307] and it is respectfully submitted that assuming for the moment that secondary meaning does exist, plaintiff still is required to establish by competent evidence that likelihood of confusion will result. This they have not done.

In *Paul Sachs Originals Co. v. Sachs*, 9 Cir. 1963, 325 F. 2d 212, 214, 216 a case which involved likelihood of confusion rather than actual confusion, the Court held that where the goods sold are readily distinguishable by a customer, this difference minimizes the likelihood of confusion to the point that the products are not confusingly similar in appearance.

In *Palmer v. Gulf Pub. Co.*, S.D. Cal., Cent. Div., 1948, 79 F. Supp. 731, 738-739 in an action specifically approved by this court in *Sunbeam Lighting Co. v. Sunbeam Corp.*, 9th Cir., 1951, 183 F. 2d 969, 973, cert. den. 340 U.S. 920, 71 S. Ct. 357, Judge Yankwich carefully detailed what is confusion. (Excerpt of Opinion Per J. Yankwich, Appendix C, pp. 29-30.)

In California the same rule is set forth in *Sunset House Distributing Corp. v. Coffee Dans, Inc.*, 1966, 240 Cal. App. 2d 748, 756, 50 Cal. Rptr. 49, as follows:

“But a case of unfair competition rests on a confusion or a likelihood of confusion, on the part of the public as a whole, acting as reasonable persons; it cannot rest on the fact that isolated individuals whose capacity for discrimination is unknown, may have been momentarily confused. (*Cridlehaugh v. Rudolph* (1942), 131 F. 2d 791, 801; *Harad v. Sears, Roebuck & Co.* (1953), 204 F. 2d 14, 19.)”

Turning once more to the present cause, we again have a situation where not a single witness was produced to testify that at any time they purchased an adding machine from defendant believing it to be the product of plaintiff. Here there is not even present the isolated purchaser or the non-discriminating vendee. Moreover, the possibility of likelihood of confusion does not even exist, for Mr. Sven Sundquist, plaintiff's

expert witness [R. T. p. 539] testified that the exterior of plaintiffs' machine [Ex. 6] and defendants' machine [Ex. 67] are not at all the same but to the contrary quite different [R. T. pp. 366-368] and that any similarity that may exist between the two machines would be in the concealed mechanism although no one bothered to explain why any ultimate consumer purchasing an adding machine, would ask that the cover be unscrewed and detached for the purpose of examining the interior.

To establish the similarity of the mechanism of plaintiffs' and defendants' machines, Mr. Sundquist testified that 90% of the parts of both machines are identical and approximately 97% of the parts of both machines interchangeable. [R. T. pp. 374-375.] He then proceeded to demonstrate that with 321 parts interchanged between both machines [R. T. pp. 378, 379] by placing the 321 parts of plaintiffs' machine in defendants' machine, defendants' machine would still operate, although not as satisfactorily. [R. T. pp. 393, 394.]

Actually there were not 321 parts interchanged, for Mr. Sundquist removed sections such as the carriage containing approximately 50 parts, and the motor containing approximately another 50 to 60 parts so that the total amount of parts that he lined up was only 157. [R. T. pp. 378-379.] Also included in the exchanged parts were washers, keepers, screws, and extra lock washers. [R. T. p. 405.] He did not exchange the accumulator, a very important part of the adding machine and representing approximately 20% of the heart of the machine [R. T. p. 402] and, moreover, the materials in the accumulator were different. [R. T. p. 403.] He did not exchange the printing mechanism of the two machines [R. T. p. 403] or the pin carriage. [R. T. p. 404.]

Assuming for the moment that 321 parts of plaintiffs' and defendants' machines are interchangeable, no evidence was offered that the 321 parts of plaintiffs' machine is exclusive to plaintiffs' product or associated only with their adding machine. Moreover, plaintiff made no effort whatsoever to establish which of the 321 interchangeable parts constitute the inventions embodied in Exhibits 1 and 2 and what is more important, what functional part of defendants' machine [Ex. 67] infringed upon what particular claim of Exhibits 1 or 2. If this were an action for patent infringement, as plaintiffs claim, such proof is necessary for it is basic that there can be no infringement without a trespass on the claim. (*McClain v. Ortmyer*, 1891, 141 U.S. 419, 425, 12 S. Ct. 76, 78.)

As stated, no evidence was offered that any of the 321 interchangeable parts of plaintiffs' machines is entitled to Federal or any other statutory protection. Under such circumstances it is public domain and can be copied at will. (*Compco Corp. v. Day-Brite Lighting Co.*, 1964, 376 U.S. 234, 237-238; 84 S. Ct. 779, 782; Rehear. den. 377 U.S. 913, 84 S. Ct. 1162.)

C. As to False and Misleading Advertising.

It is the general rule that false and misleading advertising does not constitute unfair competition unless there is also a showing that customers, if they had known the representations were false would have purchased from plaintiff rather than from plaintiff's competitor. *Mosler Safe Co. v. Ely-Norris Safe Company*, 1927, 273 U.S. 132, 47 S. Ct. 314, was an action alleging unfair competition in which appellants contended that the false advertising of appellees caused the public to purchase their product. In affirming the judgment of the trial court for the defendant, Mr. Justice Holmes stated on page 134:

“The defendant is charged only with representing that its safes had ‘an’ explosion chamber which, so far as appears, it had a perfect right to do if the representation was true. If on the other hand the representation was false as it is alleged sometimes to have been, there is nothing to show that customers had they known the facts would have gone to the plaintiff rather than to other competitors in the market, or to lay a foundation for the claim for a loss of sales.”

Chamberlain v. Columbia Pictures Corp., 9th Cir. 1951, 186 F. 2d 923, was an action for unfair competition and a violation of a trade mark wherein the plaintiff as successors and trustees under the last will and testament of Samuel L. Clemens, deceased, (Mark Twain) charged that defendants with false advertising so as to give the public the impression that Samuel Leghorn Clemens authored the story produced by the defendant in a motion picture which was of such inferior character as to bring the Mark Twain stories into disrepute. (These allegations seem to follow the pattern of plaintiff’s charges against defendants in the present cause.) In affirming a judgment for the defendant, the Court stated on page 925:

“In order to entitle appellants to the relief sought it would be necessary for them to allege that they have the exclusive right to the use of the story in question and they must be injured directly by appellee’s acts.”

In *Application of Circus Foods*, C.C.P.A. 1958, 252 F. 2d 310, it was held that words used in an advertisement cannot be made the subject of a mark entitling it to be registered as a trade-mark.

Insofar as Exhibits 49 and 52 are concerned, there is nothing false or misleading in their contents. More-

over, this letter does not refer to any of the machines involved in this law suit [R. T. pp. 144-145] but to different models which may or may not contain the patented items. Furthermore, it was circulated among adding machine *dealers*, a more sophisticated group of purchasers than the public. And what is more important, plaintiffs failed to produce a single individual who could testify that they were so misled by Exhibit 52 that they purchased defendant's adding machine thinking it was the product of plaintiffs.

POINT V.

Regarding Plaintiffs' Second Cause of Action for Trademark Infringement.

Plaintiffs' second cause of action was for trademark infringement. In this cause of action it alleged that plaintiff Aktiebolaget is the registered owner of the Trade Mark "Addo" and "Addo-X" [C. T. pp. 4-7] and that the use of said Trade Marks and plaintiffs' Trade Names by defendants constituted an infringement and a violation of the provisions of the Lanham Act. [Paragraph XIV, C. T. p. 7.] The alleged infringement of plaintiff's Trade Mark by defendants was also made the basis of an application for a preliminary injunction by plaintiff and on the basis of some showing the trial court made findings that defendants did infringe on plaintiffs' Trade Mark. [Conclusions of Law, Nos. 5, 6 and 8; C. T. pp. 247-248.] In addition, in opposition to defendant's motion for summary judgment, plaintiffs stated that one of the genuine issues in this cause was the Trade Mark infringement by defendants. [Item 7, C. T. p. 175.] Thus Trade Mark infringement was an issue in this cause.

On November 23, 1966, defendants advised plaintiffs in writing that on December 12, 1966 they would move the Court for judgment on the Second Cause of Action

and for an order directing the Commissioner of Patents to cancel these Trade Marks on the grounds that they were descriptive and non-registerable. [C. T. p. 484.] Plaintiffs did not oppose this motion but instead on the return date orally moved the Court that the Trade Mark cause of action be withdrawn.

Although the Court took into consideration the fact that the request by plaintiffs to withdraw their Second Cause of Action for Trade Mark infringement was made *after* defendants' motion to cancel the Trade Mark [R. T. 12/12/66, p. 7] and that defendant was entitled to a judgment on the Trade Mark cause of action [R. T. 12/12/66, p. 10], nevertheless it granted plaintiffs' motion and allowed their second cause of action to be withdrawn without prejudice. [R. T. 12/12/66, p. 13.]

On May 29, 1967, in the argument for a new trial, defendant again called the attention of the trial court that it was entitled to a judgment on the Trade Mark cause of action. [R. T. pp. 494-495.] The court again, stated that the second cause of action would be dismissed without prejudice [R. T. pp. 503-504] and any attorney's fees that defendant would be entitled to on such dismissal *would be offset by plaintiff's effort in resisting the motion for a new trial*. [R. T. pp. 518-519.]

Defendants, of course, were entitled to a judgment on plaintiffs' second cause of action for Trade Mark infringement, including cancellation of the Trade Marks. Under Federal Rules Civ. Proc., Rule 41(a)(2) an action may not be dismissed on the plaintiff's insistence save upon an order of the Court and upon such terms and conditions as the Court deems proper. Although Rule 41(a)(2) specifically refers to "action" which has been held to mean the entire controversy and not just a claim or cause of action. (*Harvey Aluminum v. Amer-*

ican Cyanamid Co., 2nd Cir., 1953, 203 F. 2d 105, cert. den. 345 U.S. 964, 73 S. Ct. 949), a partial dismissal was permitted under Rule 41(a)(2) in *Young v. Wilky Carrier Corp.*, 2nd Cir., 1945, 150 F. 2d 764, cert. den. 326 U.S. 786, 66 S. Ct. 470.)

A discussion of these divergent views is contained in *Johnston v. Cartwright*, 8th Cir., 1966, 355 F. 2d 32, 39.

The general construction of Rule 41(a)(2) is that plaintiff may ask leave to dismiss the cause without prejudice upon terms including an award of attorney's fees, and if the terms are accepted by the defendant the cause will be then dismissed without prejudice. On the other hand, if plaintiff cares to dismiss the cause of action with prejudice he does not have to submit terms, for it then becomes a judgment on the merits barring plaintiff from ever commencing another cause of action arising from the same subject matter.

Smoot v. Fox, 1965, 6th Cir., 353 F. 2d 830, 833, cert. den. 384 U.S. 909, 86 S. Ct. 1342;
Nasarro v. Weiner, 1965, D.C.N.J., 38 F.R.D. 430, 433-434, aff'd 353 F. 2d 537.

In instituting this law suit and by plaintiffs' counsel signing the complaint, plaintiffs' counsel represented to the Court that there were good grounds to support the pleading. (Fed. Rules Civ. Proc. Rule.11.) Plaintiffs could not arbitrarily dismiss the cause of action, and a statement by counsel that the cause of action disappeared when the deposition was taken is an inadequate explanation in view of Rule 11. (*American Automobile Assn. v. Rothman*, D.C., N.Y. 101 F. Supp. 193, 196.)

When plaintiffs commenced their cause of action for Trade Mark Infringement they placed in issue their right to recover on this claim. If they could not or would not do so, regardless of the reason, defendants

are entitled to a judgment, including an order to the commissioner of patents to cancel the registration of these Trade Marks. (Fed. Rules Civ. Proc. Rule 41(b); *Safeway Stores v. Fannon*, 9th Cir., 1962, 308 F. 2d 94, 98-99.)

The law entitling defendants to a judgment on the second cause of action and cancellation of the registered trade-mark is fully set forth in defendants' memorandum of law. [C. T. pp. 496-498.]

POINT VI.

Regarding the Cause of Action as a Patent Infringement Suit.

At the conclusion of the cause the Court found that defendants' fraudulent conduct in obtaining the patent license and intentional patent infringement after such license had been rescinded made this an exceptional case in which an award to Addo of its attorney's fees and expenses should be granted. [Finding of Fact 73, C. T. p. 603] and [Conclusion of Law 9, C. T. p. 604.]

Subsequently and on April 27th, the Court made supplemental findings of fact and conclusions of law to the same effect [C. T. pp. 668-670] and awarded plaintiff an attorney fee in the sum of \$33,000.00 plus expenses in the amount of \$3,905.17 or a total of \$36,905.17.

A. The Cause as a Patent Infringement Suit.

It is respectfully submitted that this was not a patent infringement case at all; that the trial of the cause whereby the Court concluded that the defendants obtained the license agreement by fraud was neither unusual nor difficult, nor did it warrant exceptional skill, although appellant does not dispute that the case was well tried by plaintiff's counsel. The only factor which made this a "patent infringement" case was that it was

so labelled and for no other reason, and that if it were not so designated it couldn't even be tried in the Federal Court. *Lear Siegler, Inc. v. Adkins*, 9th Cir. 1964, 330 F. 2d 595, 599-600.)

Even if it were a patent infringement case, it was not so unusual a cause as to warrant an award of attorney's fees to plaintiff and moreover, the amount awarded to plaintiff for counsel fees under these circumstances is excessive.

At the outset it should be noted that the first cause of action pleads infringement in general terms; that is, it is not alleged how or in what manner defendants infringed upon any of the *claims* of plaintiff's patents or how the infringement was committed (*Reynolds-Southwestern Corp. v. Dresser Industries, Inc.*, 5th Cir., 1967, 372 F. 2d 592, 594) but instead merely allege that:

“Defendants, Purer & Company and Phillip Purer, have for some time past and still are infringing those letters of patent by making, importing, selling and using adding machines embodying the patented invention and will continue to do so unless enjoined by this Court. Defendants have actual knowledge that they were infringing plaintiff's patents and did so wilfully.” [Complaint, Par. III, C. T. pp. 3-4.]

This defect in pleading was unimportant for defendant Purer was contending that he was using plaintiff's patents pursuant to the license agreement. [Answer, Par. 4, C. T. p. 199.] That patent infringement was not an issue in this cause is further evidenced by the fact:

1. The validity of the patents was conceded for the purpose of this action. [Admission No. 4 in Pre Trial Order; C. T. p. 535.]

2. It was conceded that the inventions described in the patents were incorporated in the TEC model 7001 adding machine [Admission No. 9; Pre Trial Order, C. T. p. 536] thus eliminating it as an issue to be tried.

3. Patent infringement is not listed as an issue of fact or a mixed issue of fact and law remaining to be litigated upon the trial. [Pre Trial Order; C. T. pp. 537-543.]

4. Patent infringement was not listed as an item to be adjudicated or as an issue of law to be litigated upon the trial. [Pre Trial Order; C. T. p. 548.]

5. The issue of law that was contested was whether Aktiebolaget's rescission of the license agreement of April 1, 1965 was justified [Issue 3, C. T. p. 548] and if so, whether the defendants' importation and sale *after* such rescission incorporating Aktiebolaget's patented invention constituted patent infringement. [Issue 4, C. T. p. 549.]

Thus it is obvious that the issue to be tried was not one of patent infringement but whether the license agreement of April 1, 1965 was obtained by fraud, and the action that was tried was one of fraud, plus unfair competition, but not one of patent infringement.

One of the essential elements in a patent infringement cause is that plaintiff must have a valid patent (*Wham-O-Mfg. Co. v. Paradise Mfg. Co.*, 9th Cir., 1964, 327 F. 2d 748, 751) and in every case of patent infringement there should first be a full scale inquiry into the validity of the patents involved. (*Sinclair & Carroll Co. v. Interchemical Corp.*, 1945, 325 U.S. 327, 330, 65 S. Ct. 1143, 1145.)

The ultimate question of patent validity is one of law (*Graham v. John Deere Company of Kansas City*),

1966, 383 U.S. 1, 17, 86 S. Ct. 684, 694; *Bentley v. Sunset House Distributing Corp.*, 9th Cir., 1966, 359 F. 2d 140, 143) and findings must be made that the patent is valid. No such findings were made in this cause.

Since the validity of a patent is one of law, even a stipulation that the patent is valid would not relieve the trial court of its responsibility in making a finding that it was valid, for stipulations as to the law are not binding on the court (*Case v. Los Angeles Lumber Products Co.*, 1939, 308 U.S. 106, 114, 60 S. Ct. 1, 6; *Los Angeles Shipbuilding & Drydock Corp. v. United States*, 9th Cir. 1961, 289 F. 2d 222, 231); nor can you stipulate as to the legal conclusions from an agreed statement of facts. (*Stanford's Estate v. C.I.R.*, 1939, 308 U.S. 39, 51, 60 S. Ct. 51, 59; rehear. den. 308 U.S. 639, 60 S. Ct. 258.)

In *Eureka Williams Corp. v. McCorquodale*, CCPA 1953, 205 F. 2d 155, cert. den. 346 U.S. 872, 74 S. Ct. 121, the Court stated on page 158:

“In finding the marks ‘Hotomatic’ and ‘Oil-O-Matic’ not confusingly similar, we have not ignored the stipulation in the record to the effect that the goods involved possess the same descriptive properties. Such a stipulation, however, cannot foreclose the right of the reviewing court to point out and observe perfectly obvious differences, which actually exist, and which we feel were not intended to be overlooked because of a strict limitation that might be drawn from the language of such a stipulation.”

Moreover, the present admission is only that defendant will not contest the validity of the patents in this cause [Admission 4, Pre Trial Order, C. T. p. 535], which is not the same as conceding that plaintiff's patents are valid.

If plaintiffs persist that their first cause of action was actually tried as one for patent infringement, then the trial court was required to make findings not only that plaintiff's patents were valid, but also that their claims under the patents were valid and by appropriate findings how defendant's devices infringed upon the particular claims. Failure to do so is error. (*Neff Instrument Corp. v. Cohn Electronics, Inc.*, 9th Cir., 1961, 298 F. 2d 82, 88-89.) Since no such issues were before the court for determination, and since no such findings were made, it is obvious that "patent infringement" was not tried.

In *Stearns v. Tinker & Razor*, 9th Cir., 1957, rehear. den. 252 F. 2d 589, it is stated on page 596:

"It is axiomatic that only a claim of a patent can be infringed. The claims of the patent measure the scope of a patent monopoly. The claims may be explained and illustrated by the description."

To the same effect is *Lockwood v. Langendorf United Bakeries*, 9th Cir., 1963, 324 F. 2d 82, 88 (exception from opinion in Appendix C, p. 30).

Even with plaintiff's witness Sundquist dismantling defendant's machine [Ex. 67] and comparing it with plaintiff's machine [Ex. 6] no testimony was offered which portion of defendant's machine infringed upon any claim of plaintiff's patents, and of course the court made no finding to that effect. Testimony as to infringement is essential.

In *McRoskey v. Braun Mattress Co.*, 9th Cir., 1939, 107 F. 2d 143, 147, it is stated:

"Infringement is not proved merely by reading a claim upon an accused device. For infringement is not a mere matter of words."

A case peculiarly similar to the present cause is *Reynolds-Southwestern Corp. v. Dresser Industries, Inc.*, 5th Cir., 1967, 372 F. 2d 592, 595 where the Court held that even though the validity of the patent was conceded at the time of trial the question of infringement was still a factual issue to be determined by the trier of facts; but where the evidence is not sufficient to establish validity *and* infringement, it is the duty of the trial court to direct a verdict for defendant.

B. Regarding the Award of Attorney Fees.

In considering an award of attorney's fees to the plaintiff, the Court in its Special Finding 2 relied upon *Talon, Inc. v. Union Slide Fastener, Inc.*, 266 F. 2d 731 (9th Cir., 1959), [C. T. p. 669], which is not at all applicable to the present situation. That cause involved a situation where a defense was set up to plaintiff's claim and plaintiff failed to establish its claim. The Court there held that under these peculiar circumstances defendant's attorney was entitled to an award of attorney's fees the court stating on page 740:

"It may well be that in a proper case a District Judge would be warranted in including in its basis for awarding attorney's fees to a prevailing defendant the services rendered by defendant's attorney in connection with a separate defense of anti trust violations even though the District Judge should fail to sustain such defense."

Attorney's fees for patent infringement cases should be awarded only in extraordinary cases founded upon an express finding of unfairness or bad faith. (*Rohr Aircraft Corp. v. Rubber Teck, Inc.*, 9th Cir., 1959, 266 F. 2d 613, 624.)

In *Finks Mfg. Co. v. Ramsburg Electro-Coating Corp.*, 7th Cir., 1960, 281 F. 2d 252, cert. den. 366 U.S. 211, 86 S. Ct. 109, the court stated on page 260:

“The District Court’s allowance of attorney’s fees to defendants is not predicated on any specific finding as to the basis for such an award. Allowance of such fees should find support in a specific finding as to the exceptional circumstances justifying the award. (citations.)”

In *Dubil v. Rayford Camp & Co.*, 9th Cir, 1950, 184 F. 2d 899, the court reversed so much of the judgment of the trial court that awarded the plaintiff an attorney’s fee in the sum of \$15,000.00 because the trial court based its conclusions as to the reasonableness of the amount upon the time expended by appellee’s counsel not only in connection with the patent infringement action but with the trade mark and unfair competition action as well. (Excerpt from Opinion in Appendix C, p. 31.)

In *Park-In Theaters v. Perkins*, 9th Cir. 1951, 190 F. 2d 137, 142, the appellate court modified the judgment of the District Court by striking therefrom the award of reasonable attorney’s fees in the sum of \$3,400.00 to the defendant. Excerpt of Opinion Appendix C, p. 31.)

There was nothing in the present cause to indicate that the defendant in bad faith defended this law suit. Plaintiff’s claim is that the license agreement of April 1, 1965 was obtained through the fraud of the defendant, which plaintiff promptly rescinded. Defendant had an equal right to insist that the agreement of April 1, 1965 was entered into on the good faith of all parties, and refuse to accept an unwarranted unilateral revocation of the same and test in court whether the plaintiff had the right to rescind this agreement. And even if the court was of the opinion that the agreement

was obtained by fraud, it was an abuse of its discretion to penalize him by awarding the plaintiff a fee predicated on patent infringement.

Merrill v. Builders Ornamental Iron Co., 10th Cir., 1952, Rehear. Den. 1952, 197 F. 2d 16, 25, was a cause involving the construction of claims in a patent infringement suit in which the court reversed that portion of the judgment which awarded an attorney fee to defendant; citing as its authority *Park Drive In Theatre v. Perkins*. (Excerpt of opinion Appendix C, p. 32.)

C. Regarding the Award of Costs.

The court allowed the Plaintiff's expenses in the sum of \$3,905.17. [C. T. p. 670.] Although the court has discretion to allow the successful party their necessary expenses in connection with their litigation, the court did not have the power to allow Gunnar Agrell as costs his traveling expenses from Malmo, Sweden, George Agrell his traveling expenses from New York or Alma Flesch her traveling expenses from New York to Malmo, Sweden to attend the deposition of Gunnar Agrell.

Taxable witness fees and mileage for a witness outside the district is limited to the mileage which is travelled within the district based on the most direct route to the court by means of transportation used by the witness (Local Rule 15 (b) 4; *Kemart Corp. v. Printing Arts Research Lab.*, 9th Cir., 1956, rehear. den. 232 F. 2d 887, 902-905.) As to the expenses of Mrs. Flesch in travelling to Sweden to attend the deposition of Gunnar Agrell, they are not taxable as costs. (Local Rule 15 (b) 3.)

Moreover, plaintiff's counsel was awarded as costs, expenses to which they were not entitled. Listed in the expenses were such items as "hand delivery of letters"

in lieu of the U.S. Mails. [C. T. p. 618, 619, 623.] Telephone calls [C. T. pp. 618, 619, 623, 626] stenographic work [C. T. pp. 619, 630] Postage [C. T. pp. 619, 620, 623] etc. Even cab fare to the court was listed. [C. T. p. 618, 619, 625.]

Recapitulation of Argument.

1. Tokyo Electric Co. and Toshiba are not parties to this action and there is no evidence in this cause that any dispute ever existed between plaintiffs and Toshiba or that Toshiba's Model 4001 is an exact copy of plaintiff's model 341E, including the patented items. Hearsay, self-serving declarations, documents, the authenticity of which are unknown, or other incompetent evidence, no matter how numerous and abundant, is still insufficient to establish as a fact in the trial of a cause plaintiff's requirements as to his burden of proof.

2. Not only did plaintiffs fail to establish the alleged dispute but they also failed to show by any competent evidence how or in what manner Toshiba Model 4001 was a copy of plaintiff's 341E or that it embodied plaintiff's inventions. Equally lacking in proof is that Model 4011 or Model 7001 is a replica of Model 4001.

3. Insofar as fraud is concerned, there is no evidence that Purer made any false representations to plaintiff Aktiebolaget or that Aktiebolaget relied on any of Purer's representations. The evidence does show that although Aktiebolaget may never have heard of Purer & Co., it was still willing to grant him a license agreement without any investigation or concern as to who they were.

4. In any event the picture on Purer's stationery and the request that the license agreement include the manufacturer for Purer & Co. was sufficient notice to place upon Aktiebolaget as a prudent person the re-

sponsibility of investigating and ascertaining Purer's source of manufacture. Defendants cannot be charged with false representations because plaintiff's witness Gunnar Agrell refused to see what was before him.

5. Aktiebolaget declined to make any investigation of Purer & Co., a company entirely unknown to it. Thus, they were satisfied from the information furnished to it by way of the photographs on the Purer stationery and his request to include his manufacturer on the license that Purer had the means and ability to produce 20,000 or even 10,000 machines a year at a cost expenditure of between \$2,000,000.00 and \$1,000,000.00 per year and that this would be done at the plant pictured on his stationary.

6. Since plaintiffs failed to establish any secondary meaning to their name or slogan or that the public was deceived in purchasing defendant's product believing it to be that of the plaintiffs, plaintiffs did not prove their cause of action for unfair competition.

7. Since plaintiffs charged trade work infringement and placed this cause of action in issue, the court should have rendered a judgment on this cause of action rather than permit plaintiffs to withdraw it.

8. Since this wasn't a patent infringement law suit, plaintiff was not entitled to an award of attorney's fees and expenses.

Conclusion.

For all of the foregoing reasons the judgment should be reversed.

Respectfully submitted,

JOSEPH W. FAIRFIELD,
ETHELYN F. BLACK,
ALFRED W. OMANSKY,

Attorneys for Appellants.

Certificate.

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

JOSEPH W. FAIRFIELD

APPENDIX A.

Plaintiffs' Exhibits.

	Iden.	Evid.	Rej.
1—Patent No. 2,854,190	8	8	
2—Patent No. 2,985,363	9	9	
3—1965 Annual Report	14	16	
4—Summary of Addo Sales	19	21	
5—Advertising brochure	23	32	
6—Model 341E adding machine	28	35	
7—Model BC4001 brochure	33	39	
8—Lindeteves letter of 12-10-62	34	79	
9—Addo letter of 1-11-63	40	79	
10—Lindeteves letter of 5-15-63	42	79	
11—Lindeteves letter of 6-26-63	44	79	
12-A to 12-H—Adding machine photos	48	68	
13—Lindeteves letter of 10-29-63	59	79	
14—Lindeteves letter of 12-17-63	60	79	
15—Lindeteves letter of 4-15-64	61		78
16—Royal Swedish Embassy report	64	79	
17—Addo letter to Tokyo Denki 4-28-64	65	79	
18—Addo letter to Tokyo Denki 7-14-64	66	79	
19—Addo letter to Lindeteves 10-31-63	81		81
20—Purer letter of 11-27-64	83	89	
21—Addo letter of 12-17-64	88	89	
22—Purer letter of 12-21-64	90	104	
23—Addo letter to Purer 2-13-65	96	104	
24—Addo letter to Purer 3-17-65	96	104	
25—Purer letter of 4-14-65	98	104	
26—License letter agreement 4-1-65	101	104	
27—Addo letter to Purer 5-18-65	102	104	
28—Purer letter to Addo 6-2-65	102	104	
29—Goran Agrell letter to Gunnar Agrell 6-1-65	106	136	
30—Agrell letter to Addo 6-9-65	107	137	
31—Addo letter to Cal. Typewriter 6-14-65	108	135	

	Iden.	Evid.	Rej.
32—Goran Agrell letter 6-17-65	109	137	
33—TEC adding machine brochure	110	135	
34—Gunnar Agrell letter to Purer 6-21-65	120	135	
35—Purer reply letter	122	135	
36—Purer letter to Addo 6-21-65	123	135	
37—Gunnar Agrell letter to Purer 7-1-65	124	135	
38—Purer letter to Addo 7-12-65	125	135	
39—Dun & Bradstreet report 3-24-65	126	138	
40—Addo letter to Purer 7-22-65	127	135	
41—Purer letter to Addo 8-7-65	129	135	
42—Gunnar Agrell letter to Addo 8-11-65	133	135	
43—Tokyo Elec. letter to A. B. Addo 11-25-65	140	157	
44-A—Photograph	141	157	
44-B—Photograph	141		156
44-C—Photograph	141		156
45—Letter from Gunnar Agrell to Tokyo Electric, 12-13-65	158		162
46—Letter from Tokyo Elec. to G. Agrell, 12-30-65	159		162
47—Check for \$1500	252	253	
48—Tabulation	266	268	
49—Communication from Purer to George Agrell, 9-30-65	282	286	
50—Letter from Purer to Flesch, 7-7-65		287	
51—Communication from Addo-X to All Addo-X Dealers, 10-5-65	291		292
52—Series of communications from Purer & Co. Re TEC	294	295	
53—Letter from Benbow to Oppenheimer, 11-2-65	304	309	
54—Letter from Noll to Oppenheimer, 11-4-65	309	310	
55—Letter from Windsor to Oppenheimer, 11-3-65	311	311	
56—Letter from Business Machines Sales Co. to Oppenheimer, 11-2-65	312	312	

	Iden.	Evid.	Rej.
57—Letter from Adding Machine Sales Co. to Oppenheimer, 11-4-65	313	313	
58—Memorandum	328	314	
59—Letter dated 9-15-65 from Gronhagen to G. Agrell	337	340	
60—Letter dated 9-30-65 from Purer & Co. to Western Addo	341	342	
61—Letter dated 11-1-65 from Angelus Typewriter to Western Addo-X	343	345	
62—Letter dated 11-1-65 from California Office Machines to Western Addo-X	343	345	
63—Letter dated 11-1-65 from Marvin Westfall to Western Addo-X	343	345	
64—Letter from N. B. Pinyan to Western Addo-X dated 10-26-65	344	345	
65—Letter dated 11-1-65 from Central Office Equipment Co. to Western Addo-X	344	345	
66—Purer & Company Invoice	349	350	
67—Adding machine 7001	350	364	
68—Adding machine tapes	370		
69—Check for \$228.00	411	412	
70—Adding machine 4011	412	414	

Defendants' Exhibits.

A—Envelope (Purer & Co)	213		
B—Letter from Flesch to Purer, 6-30-65	228	250	
C—Sears catalogue sheet	249	250	

APPENDIX B.

Analysis of the Insufficiency of the Evidence to Support the Findings.

Findings of Fact Nos. 4 and 5 [C. T. p. 591] and No. 12 [C. T. p. 592.]

These findings are based on the contents of Exhibits 3, 4 and 48. The admission of these exhibits into evidence was error as a matter of law. (Point I-A.)

Finding of Fact No. 6. [C. T. p. 591.]

Gunnar Agrell testified that plaintiff A. B. Addo was a world wide organization, had an engineering and research department and advertised all over the world [R. T. pp. 21-26] but there was no proof that “adding machines bearing the name Addo have developed a valuable reputation in the United States and throughout the world.” The value of a name is determined by its reception by the public (*Kellogg Co. v. National Biscuit Co.* (1938), 305 U.S. 111, 118-119; 59 S. Ct. 109, 113), and in this cause no evidence was proffered as to the public valuation of plaintiff’s name. (Point IV-A.)

Finding of Fact No. 9. [C. T. p. 591.]

After the word defendants should be added “for the purpose of this law suit only”. [Pre trial order III, Item 4; C. T. p. 535, R. T. p. 7.]

Finding of Fact No. 18. [C. T. p. 593.]

The statement therein “100 shares were issued in March, 1965” is not supported by any evidence. There is evidence that on February 18, 1965, the Corporation Commissioner issued its Permit *authorizing* the issuance of shares [R. T. p. 426] but that is not equivalent

to stating that the 100 shares were issued. There is a vast difference between authority to purchase and actual purchase. It is also to be noted that the Minute Book was offered into evidence [R. T. p. 425] which was produced at the request of counsel for plaintiff [R. T. pp. 79-80] but nothing was shown from the Minute Book, or from any other exhibits, that shares of stock were actually purchased by defendants, or anyone else, or that shares of stock were actually issued by the corporation.

Finding of Fact No. 20. [C. T. p. 593.]

In the pre-trial order, under V, subd. 1 [C. T. p. 537] it was agreed that it would not be contested by evidence to the contrary; but that does not constitute an admission of evidence to support a finding.

Finding of Fact No. 21. [C. T. p. 593.]

The only defendant engaged in this business is the defendant, Phillip Purer, an individual. [Pre trial order, Admission, No. 8, C. T. p. 536.] There was no evidence produced nor offered that the corporate defendant was engaged in any business.

Finding of Fact No. 23. [C. T. p. 593.]

There is no evidence to support this finding. Exhibits 8 through 10, and 13 through 18, which are letters from Addo to Lindeteves-Jacoberg, Amsterdam, to Tokyo to Toshiba and in reverse, with statements and comments, etc., are all hearsay. (Point I B.) Moreover, these letters were specifically *not* offered into evidence for their contents [R. T. pp. 38, 72] and they were received into evidence *only* for limited purposes. [R. T. pp. 75-79.] Yet the only evidence that

could possibly support this finding is the truth of the *contents* of these exhibits which unquestionably is not in evidence.

Thus, we have the Court allowing into evidence Exhibits 8 to 16 for the limited purpose only of explaining why Mr. Agrell acted the way he did and not for the truth of the contents of these letters; we have the photographs [Exs. 12a to 12h] which only show a machine bearing the name “Toshiba” and no evidence as to what model it is; Mr. Agrell’s testimony that he requested his agents Lindeteves to purchase a Toshiba machine; that he received a Toshiba machine but no evidence where or when the machine was purchased or from whom or its model number. Nor should we overlook the fact that Toshiba is an authorized sales agent for Addo machines in Japan. [R. T. pp. 182-183.]

Finding of Fact No. 24. [C. T. p. 593.]

There is no evidence to support this finding. The photographs 12a to 12h (without for the moment arguing that they do not belong in evidence) only shows that one is a Toshiba machine and the other a 341-E. But there is nothing on the Toshiba machine to show that the Toshiba machine is Model BC 4001 and Mr. Agrell testified that he didn’t know. [R. T. p. 53.] And of course there was no testimony or other evidence that Model 4001 was a copy of Model 341E.

Finding of Fact No. 25. [C. T. pp. 593-594.]

There is no evidence to support this finding.

(a) No Toshiba Model BC 4001 was ever produced.

(b) No witness testified and there is no evidence that a comparison was ever made between a Model BC 4001 and plaintiff’s machine.

(c) Mr. Agrell testified that he didn't know the model number of the Toshiba machine in the photographs. [R. T. p. 53.]

(d) Mr. Sundquist testified that he had never repaired a TEC machine and never saw one until the time the present action was commenced. [R. T. pp. 401-402.]

Finding of Fact No. 26. [C. T. p. 594.]

This finding of fact is not supported by any evidence. This finding relies on the truth of the contents of the Lindeteves-Jacoberg correspondence [Exs. 8 to 18] which are *not* in evidence. These exhibits were admitted into evidence for the limited purpose only to show a state of mind that plaintiff *believed* that Toshiba was copying plaintiff's machines. This finding now asserts as a fact that Toshiba actually copies plaintiff's machines, which even the Court knew was not established [R. T. pp. 62-63]; and that plaintiff attempted to stop such copying.

Finding of Fact No. 27. [C. T. p. 594.]

This finding also relies on the truth of the contents of the Lindeteves-Jacoberg letters which were not in evidence as to its contents. Mr. Agrell may have believed that the Japanese were copying his machine, and acting on that belief may have communicated with the Swedish Export Association, the Swedish consul and Lindeteves-Jacoberg, but his belief does not establish as a fact that what he believed was true.

Finding of Fact No. 28. [C. T. p. 594.]

This finding is based entirely on the contents of Exhibits 13 and 16 despite the specific ruling of the

Court that these exhibits were not received in evidence for their contents but only why Addo took further action. [R. T. pp. 77-78.]

Finding of Fact No. 29. [C. T. p. 594.]

There is no evidence to support this finding.

(a) Addo did not purchase a 4001 or photograph a 4001. Mr. Agrell testified he didn't know the model number of the machine that arrived or what was photographed. [R. T. p. 53.]

(b) There is no way of knowing what Toshiba machine is in Exhibits 12a to 12h inclusive, or its parts.

(c) Copies of the photographs were not sent to the agents. The *originals* were sent to them and we still do not know what happened to these originals. [R. T. pp. 58, 60-61.]

(d) There is still no proof of any Toshiba machine. The court merely assumed that because plaintiff requested them to obtain a Toshiba machine, the machine that arrived came from Toshiba. [R. T. p. 511.]

Finding of Fact No. 30. [C. T. p. 594.]

This finding is practically a quotation from Exhibit 16, which is not in evidence. Obviously there is no evidence to support this finding.

Finding of Fact No. 31. [C. T. p. 594.]

There is no evidence to support this finding. Although Exhibits 17 and 18 may tend to support such a finding, without a showing that these letters were properly addressed and mailed (Evidence Code, Sec. 641) it is not established that it was received thus warranting a reply. Moreover, these letters were not written by the witness, but by a Mr. Odervall, and

merely testimony that the witness saw the letters before they were sent [R. T. pp. 65-66] is insufficient to meet the requirements of (Evidence Code Sec. 641) (*Valente v. Sica*, 1934, 1 Cal. App. 2d 478, 481, 36 P. 2d 1086.)

Finding of Fact No. 32. [C. T. pp. 594-595.]

There is no proof as to what inventions, if any, Toshiba model 4001 embodied. Nor is there any evidence of what Aktiebolaget would willingly do. Toshiba was authorized to sell plaintiff's adding machine [R. T. pp. 182-183] and nothing is stated as to where.

Findings of Fact Nos. 34, 35. [C. T. p. 595.]

There is no evidence to support these findings, which again are predicated on the assumption that Toshiba Model 4001 was a copy of plaintiff's machine and that a dispute existed. The alleged extra judicial statements of Purer are not sufficient, as substantial evidence, to support this finding. (Point II.)

Finding of Fact No. 37 [C. T. pp. 595-596], No. 39 [C. T. p. 596] and No. 41. [C. T. p. 597.]

Copies of these letters should be annexed to the findings so that the Court could have before it the complete document, including the pictures of the plant and the statement "NEW MODERN FACILITY IN OHITO". Obviously the photograph and statement are a part of the letters which were submitted to the plaintiffs in the solicitation of the license.

Finding of Fact No. 43. [C. T. pp. 597-598.]

The evidence is insufficient to support this finding or its subdivisions:

(a) There is nothing to support any conclusion that defendant intended to import a Toshiba copy of the

Addo adding machine. The testimony of the witnesses George Agrell and Gronhagen as to the extra judicial statements of Phillip Purer (Point II of this Brief) are not sufficient to support such a broad conclusion.

(b) There is nothing in the record about any prototype or that defendant did not complete one. The prototype referred to was Exhibit JJ annexed to Purer's depositions [Ex. 56 on pre trial order; C. T. p. 546] and produced in court at the request of plaintiff. [R. T. p. 79.] Mr. Sundquist, the plaintiff's expert, was present at these depositions and as technical adviser to plaintiff's counsel examined the defendant's machines including the prototype. [R. T. pp. 400-401.] Thus, without the prototype in evidence or any testimony that defendant did not prepare a prototype there is nothing to support this finding. Even the testimony of George Agrell and Gronhagen as to the alleged extra judicial statements of Purer contain no word that Purer did not complete a prototype as stated in Exhibit 20.

(c) Since the prototype was not in evidence, there is no evidence to support the conclusion that there was no similarity to Addo's patents or that it was an exact copy of Addo's 341E machine.

(d) There is no evidence in this cause that the adding machine referred to in Exhibit 20 was an exact copy of Addo's machine. Presumably plaintiffs in their Brief will point to the record where this evidence exists.

(e) Presumably respondents in their Brief will point to the record where there is evidence that Toshiba 4001 is either a copy of Model 341E or contains its patents. Even the inadmissible exhibits (Point I B.) only contain information that Toshiba manufactures Model 4001 and that they are discontinuing its use, but not that they are similar to 341E or contain its patents.

(f) The court expressly refrained from making any finding on this point. [R. T. pp. 463-464.] Not only is there no evidence to support this finding, but plaintiff cannot explain how reliance upon the contents of a letter dated April 14, 1965 can in any way influence it to grant a license two weeks previously (*Bank of St. Helena v. Lilienthal-Brayton Co.* (1928), 89 Cal. App. 2d 258, 263, 264 Pac. 546.)

Findings of Fact Nos. 44, 45 and 46. [C. T. pp. 598-599.]

Plaintiff did not rely on these alleged representations. What plaintiff contends it relied upon is specifically set forth in Exhibit 40, which states that the grounds for rescission is that defendant concealed the nature of his company and his intimate link with Japanese interests. Insofar as the letters were concerned [Exs. 20 and 22] that led to the granting of the license, there was no reliance upon their contents at all. Gunnar Agress stated re Exhibit 22 [R. T. p. 100]: "My impression was that production was smaller than estimated in the beginning." The other source of complaint was that until June 19, 1965 plaintiff had no information to Link Purer & Co. with a Japanese *copy* of plaintiff's machine [R. T. pp. 112-113]; and that if it had been told in April of 1965 that Purer & Co. was the sales agent of Tokyo Electric Co. it would not have granted the license. [R. T. pp. 130-131.]

Finding of Fact No. 47. [C. T. p. 599.]

There is no evidence to support this finding. Moreover, this finding flatly contradicts the testimony of Gunnar Agrell (without agreeing that it is substantial evidence) that plaintiff would not have granted the

license if it knew that Purer & Co. was the sales agent for Tokyo Electric Co. [R. T. pp. 130-131.]

Finding of Fact No. 48. [C. T. p. 599.]

Although Gunnar Agrell did testify that he never heard of "TEC" until June, 1965, the evidence is that he did know of the existence of TEC and Tokyo Electric Company prior to November 27, 1964:

1. The affidavit of Gunnar Agrell submitted in Los Angeles Superior Court action no. 869,999 wherein he stated under oath as follows:

"Approximately three years prior to 1965, it came to the attention of A. B. Addo that a Japanese corporation by the name of Tokyo Electric Company (and commonly referred to in Japan as 'Toshiba') and its subsidiary, Tokyo Denki K . . ." R. T. pp. 184-185.]

2. The sworn testimony of this witness in his deposition where he stated that he knew of Tokyo Electric Company under the name of Tokyo Denki [R. T. p. 257] prior to the letter of November 27, 1964. [Ex. 20.]

Thus the evidence is that Aktiebolaget knew of the existence of Tokyo Electric Co. prior to November 20, 1964 and also explains why plaintiff made no attempt to investigate the manufacturer for Purer & Co. Thus Gunnar Agrell was bound by his own testimony with respect to this subjective matter concerning which he could not be honestly mistaken. It is not a question of inconsistencies concerning objective matters in which honest errors might be made (*Canadian Pac. Ry. Co. v. Sullivan*, 1st Cir. 1942, 126 F. 2d 433, 440, cert. den. 316 U.S. 696, 62 S. Ct. 1291.)

Moreover, if the fact to be proven is dependent solely upon the inconsistent testimony of a party to the litigation, that party has failed to carry the burden of proof imposed upon him. (*The Seeandbee*, 1939, 6th Cir., 102 F. 2d 577, 581.)

3. But regardless, plaintiff would be charged as a matter of law with the knowledge contained on Exhibits 20 and 22 (California Civil Code, sec. 19) at the time of their receipt.

Again it must be repeated that there is no evidence of Toshiba copying any 341-E machine.

Findings of Fact Nos. 49 and 51. [C. T. p. 599.]

What was exhibited at the Chicago Fair was Tokyo Electric model no. 7001 [Exs. 31 and 36] not Model 4011.

Finding of Fact No. 50. [C. T. p. 599.]

There is no evidence that the TEC model 4011 is the same as Toshiba model 4001 or that the case had been redesigned. The only evidence in this cause of a model 4001 is Exhibit 7, which is not similar to Exhibit 33. The Court must also bear in mind that no Model 4001 was ever produced [R. T. p. 42] and that there was no proof that the machine in Exhibits 12a through 12h was Model 4001. As a matter of fact plaintiff failed to establish this point altogether, although he said he would. [R. T. pp. 52-53.] Mr. Agrell could not testify that Lindeteves purchased a Model 4001 [R. T. p. 52] and he didn't recall what number was on the machine that arrived. [R. T. p. 53.] An attempt was made to identify Exhibit 44a as a Model 4011 [R. T. p. 142] but the witness could not identify the writing on the reverse side [R. T. p. 142].

The court stated that the lack of identification was significant and valueless unless linked up and the Court refused to assume that it was a 4011. [R. T. pp. 148-149.] Moreover, the witness testified that “the case on the BC 4001 is different from the case on the Toshiba machine which is called here BC 4011.” [R. T. pp. 148-149.]

Finding of Fact No. 56. [C. T. p. 600.]

Although Purer & Co., the California corporation, is named as a defendant in this cause, there is no evidence to connect it as a participant in any of the transactions. All dealings were done by Phillip Purer personally. The agreement of April 1, 1965 [Ex. 26] has annexed to it the corporate resolution of Aktiebolaget, but not Purer & Co. and Paragraph 8 of Exhibit 26 refers to an individual not a corporation. An individual may use the word “company” after his name without filing a certificate under Civil Code Sec. 2466 (*Levelon Builders, Inc. v. Lynn* (1961), 194 Cal. App. 2d 657, 663, 15 Cal. Rptr. 582.)

Finding of Fact No. 58. [C. T. p. 600.]

Whether the notice of rescission was timely is a conclusion of law.

Finding of Fact No. 59. [C. T. p. 600.]

There is no evidence to support this finding. Moreover the court did conclude that there was a responsibility on the part of the plaintiff to make inquiries as to who defendant's manufacturer was [R. T. p. 459] and since Purer answered all his questions [R. T. pp. 206-207] this information would have been easily available. (Defendant's request for Findings Nos. 5 and 6 [C. T. p. 706 misnumbered].)

Finding of Fact No. 60. [C. T. p. 600.]

There should have been added after this finding on the grounds that the defendant Purer believed that the notice of rescission was invalid [Exs. 41 and 42] and that the agreement of April 1, 1965 [Ex. 26] was still in full force and effect.

Finding of Fact No. 62. [C. T. p. 601.]

(a) There is no evidence to support any finding that the defendant Purer has stated that he has a license to “copy”. [Exs. 49 and 52.]

(b) The phraseology in this finding that the license “would only have authorized defendant to use the two patented devices, not to build a particular adding machine” is ambiguous. Defendant did use plaintiff’s patented devices in its adding machines, but appellant does not understand the negative “not to build a *particular* adding machine” or how defendant could use the patented items without building an adding machine.

(c) Moreover, false and misleading advertising does not give rise to a cause of action unless a plaintiff first establishes that the *public* was misled because of the false advertising (Point IV.)

(d) Exhibits 49 and 52 refer to machines not involved in this law suit.

Findings of Fact No. 63. [C. T. p. 601.]

This finding is ambiguous and argumentative. Exhibits 49 and 52 state that TEC has a five year history of selling adding machines, not that it has been selling a 7001 for five years. As a matter of fact, these exhibits specifically refer to the *New* TEC machines and mention Models 7002 and 7003 not Model 7001.

Finding of Fact No. 66. [C. T. p. 602.]

There is no evidence to show how many machines plaintiffs had manufactured and even plaintiff's Exhibits 4 and 5 give only dollar volume. [R. T. pp. 171-172.]

Finding of Fact No. 67. [C. T. p. 602.]

There is no substantial evidence that

(a) The TEC 7001 is inferior in quality to that of plaintiff's 341-E

(b) That TEC 7001 copies plaintiff's 341-E

Sundquist, an employee of plaintiff, testified that in his opinion the TEC machine was inferior to that of plaintiffs, but considering the fact that he is an employee of plaintiffs and that until the time this lawsuit was started he had never seen a TEC machine and that he has never repaired one [R. T. pp. 401-402] his testimony has no probative value and establishes nothing. It is elementary that an expert's opinion is only as good as the grounds upon which he bases his opinion.

Regarding the comparison between the two machines, Sundquist's testimony is that the outer appearance of TEC is different from plaintiffs and the differences were substantial. [R. T. pp. 366-367.] Although there were also substantial similarities in the interior between plaintiff's and defendant's machines, to a certain extent all adding machines have the same basic functional mechanism. In any event there was no testimony that the mechanism of plaintiff's machine is theirs exclusively.

Finding of Fact No. 68. [C. T. p. 602.]

There is no evidence to support this finding, particularly that portion thereof which states:

“was intended to and did create a confusion among such dealers as to the sponsorship or endorsement by Addo of the TEC 7001 adding machine”

for the following reasons:

(a) Exhibits 53 through 57 should have not been admitted into evidence. (Point I, G, H.)

(b) These letters do not indicate any confusion among the dealers. [R. T. p. 307.]

(c) It is confusion among the *public*, not dealers, that has any bearing (*American Automotive Ins. Co. v. American Auto Club*, 9th Cir, 1950, 184 F. 2d 407, 409-410.)

(d) On the argument of the motion for a new trial findings based on Exhibits 53 through 57 and 61 through 65 should have been deleted. [R. T. p. 514.]

Findings of Fact Nos. 69, 70. [C. T. p. 602.]

There is no evidence to support these findings and they are not ultimate findings of fact. The letters contain no such insinuation.

Finding of Fact No. 71. [C. T. p. 602.]

There is no evidence to support this finding. The statement by Sven Sundquist, an employee of plaintiffs, that in his opinion his company's machine is better than its competitors does not carry any inference that defendant's machines would be subject to numerous and repeated mechanical failures, particularly when this witness testified that he never saw defendant's ma-

chine until about the time the law suit was started and that he never repaired one. [R. T. pp. 401-402.]

Finding of Fact No. 72. [C. T. pp. 602-603.]

There is no evidence to support any finding that the name of the plaintiffs has established any good will or is accepted in the community. There is no evidence that defendant attempted to trade on plaintiff's good will; defendant in Exhibit 49 merely stated that it was licensed by plaintiff, which is correct.

Finding of Fact No. 73. [C. T. p. 603.]

This is not a proper finding and the reasons are fully set forth in Point VI of this brief.

Conclusions of Law, Nos. 2 to 8 incl.

The findings of fact do not justify conclusions of law nos. 2 through 8 inclusive.

Conclusion of Law No. 9.

This is not a proper conclusion of law and the reasons are fully set forth in Point VI of this Brief.

APPENDIX C.

Judiciary Code—Title 28.

§ 1291. *Final Decisions of District Courts.*

The courts of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court.

§ 1338. *Patents, Copyrights, Trade-Marks, and Unfair Competition.*

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws.

§ 1732. *Record Made in Regular Course of Business; Photographic Copies.*

(a) In any court of the United States and in any court established by Act of Congress, any writing or record, whether in the form of an entry in a book or otherwise, made as a memorandum or record of any act, transaction, occurrence, or event, shall be admissible as evidence of such act, transaction, occurrence, or event, if made in regular course of any business, and if it was the regular course of such business to make such memorandum or record at the time of such act,

transaction, occurrence, or event or within a reasonable time thereafter.

All other circumstances of the making of such writing or record, including lack of personal knowledge by the entrant or maker, may be shown to affect its weight, but such circumstances shall not affect its admissibility.

This term “business,” as used in this section, includes business, profession, occupation, and calling of every kind.

(b) If any business, institution, member of a profession or calling, or any department or agency of government, in the regular course of business or activity has kept or recorded any memorandum, writing, entry, print, representation or combination thereof, of any act, transaction, occurrence, or event, and in the regular course of business has caused any or all of the same to be recorded, copied, or reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic, or other process which accurately reproduces or forms a durable medium for so reproducing the original, the original may be destroyed in the regular course of business unless its preservation is required by law. Such reproduction, when satisfactorily identified, is as admissible in evidence as the original itself in any judicial or administrative proceeding whether the original is in existence or not and an enlargement or facsimile of such reproduction is likewise admissible in evidence if the original reproduction is in existence and available for inspection under direction of court. The introduction of a reproduced record, enlargement, or facsimile does not preclude admission of the original. This subsection shall not be construed to exclude from evidence any document or copy thereof which is otherwise admissible under the rules of evidence.

Rules of Civil Procedure—Title 28.

Rule 11. *Signing of Pleadings.*

Every pleading of a party represented by an attorney shall be signed by at least one attorney of record in his individual name, whose address shall be stated. A party who is not represented by an attorney shall sign his pleading and state his address. Except when otherwise specifically provided by rule or statute, pleadings need not be verified or accompanied by affidavit. The rule in equity that the averments of an answer under oath must be overcome by the testimony of two witnesses or of one witness sustained by corroborating circumstances is abolished. The signature of an attorney constitutes a certificate by him that he has read the pleading; that to the best of his knowledge, information, and belief there is good ground to support it; and that it is not interposed for delay. If a pleading is not signed or is signed with intent to defeat the purpose of this rule, it may be stricken as sham and false and the action may proceed as though the pleading had not been served. For a wilful violation of this rule an attorney may be subjected to appropriate disciplinary action. Similar action may be taken if scandalous or indecent matter is inserted.

Rule 41. *Dismissal of Actions.*

(a) *Voluntary Dismissal: Effect Thereof.*

(1) *By Plaintiff; by Stipulation.* Subject to the provisions of Rule 23(c), of Rule 66, and of any statute of the United States, an action may be dismissed by the plaintiff without order of court (i) by filing a notice of dismissal at any time before service by the adverse party of an answer or of a motion for sum-

mary judgment, whichever first occurs, or (ii) by filing a stipulation of dismissal signed by all parties who have appeared in the action. Unless otherwise stated in the notice of dismissal or stipulation, the dismissal is without prejudice, except that a notice of dismissal operates as an adjudication upon the merits when filed by a plaintiff who has once dismissed in any court of the United States or of any state an action based on or including the same claim. As amended Dec. 27, 1946, effective March 19, 1948.

(2) *By Order of Court.* Except as provided in paragraph (1) of this subdivision of this rule, an action shall not be dismissed at the plaintiff's instance save upon order of the court and upon such terms and conditions as the court deems proper. If a counterclaim has been pleaded by a defendant prior to the service upon him of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court. Unless otherwise specified in the order, a dismissal under this paragraph is without prejudice.

* * * * *

(b) *Involuntary Dismissal: Effect Thereof.* For failure of the plaintiff to prosecute or to comply with these rules or any order of court, a defendant may move for dismissal of an action or of any claim against him. After the plaintiff, in an action tried by the court without a jury, has completed the presentation of his evidence, the defendant, without waiving his right to offer evidence in the event the motion is not granted, may move for a dismissal on the ground that upon the facts and the law the plaintiff has shown no

right to relief. The court as trier of the facts may then determine them and render judgment against the plaintiff or may decline to render any judgment until the close of all the evidence. If the court renders judgment on the merits against the plaintiff, the court shall make findings as provided in Rule 52(a). Unless the court in its order for dismissal otherwise specifies, a dismissal under this subdivision and any dismissal not provided for in this rule, other than a dismissal for lack of jurisdiction, for improper venue, or for failure to join a party under Rule 19, operates as an adjudication upon the merits.

California Civil Code.

§ 19 *Constructive notice.*

Every person who has actual notice of circumstances sufficient to put a prudent man upon inquiry as to a particular fact, has constructive notice of the fact itself in all cases in which, by prosecuting such inquiry, he might have learned such fact.

§ 2466. *Certificate; contents; filing; subscription and acknowledgment; publication.*

Except as otherwise provided in the next section every person transacting business in this State under a fictitious name and every partnership transacting business in this State under a fictitious name, or a designation not showing the names of the persons interested as partners in such business, must file with the clerk of the county in which his or its principal place of business is situated, a certificate, subscribed and acknowledged in the manner provided in Section 2468 of the Civil Code, stating the name in full and the place of residence of such person and stating the names in full of all the members of such partnership and their places of residence.

Such subscribed and acknowledged certificate must be published subsequent to the filing thereof with the county clerk pursuant to Government Code Section 6064, in a newspaper published in the county, if there be one, and if there be none in such county, then in a newspaper in an adjoining county. An affidavit showing the publication of such certificate as in this section provided shall be filed with the county clerk within 30 days after the completion of such publication, but in no event shall such publication be made prior to the filing of such certificate with the county clerk.

California Evidence Code.

§ 641. *Letter received in ordinary course of mail.* A letter correctly addressed and properly mailed is presumed to have been received in the ordinary course of mail.

§ 1271. *Business record.* Evidence of a writing made as a record of an act, condition, or event is not made inadmissible by the hearsay rule when offered to prove the act, condition, or event if:

(a) The writing was made in the regular course of a business;

(b) The writing was made at or near the time of the act, condition, or event;

(c) The custodian or other qualified witness testifies to its identity and the mode of its preparation; and

(d) The sources of information and method and time of preparation were such as to indicate its trustworthiness.

§ 1400. *Authentication defined.* Authentication of a writing means (a) the introduction of evidence suf-

ficient to sustain a finding that it is the writing that the proponent of the evidence claims it is or (b) the establishment of such facts by any other means provided by law.

§ 1401. *Authentication required.* (a) Authentication of a writing is required before it may be received in evidence.

(b) Authentication of a writing is required before secondary evidence of its content may be received in evidence.

§ 1509. *Voluminous writings.* Secondary evidence, whether written or oral, of the content of a writing is not made inadmissible by the best evidence rule if the writing consists of numerous accounts or other writings that cannot be examined in court without great loss of time, and the evidence sought from them is only the general result of the whole; but the court in its discretion may require that such accounts or other writings be produced for inspection by the adverse party.

In *People v. Doble* (1928), 203 Cal. 510, 515, 265 Pac. 184:

“It is manifestly error to admit in evidence, under section 1855, subdivision 5, of the Code of Civil Procedure, [now section 1509 of the Evidence Code] a summary of books where the books themselves are not shown to be admissible in evidence. We, of course, are not intending to hold that the books in each case must be actually received in evidence to warrant the introduction of such summary so long as they are available for use of the opposing party, but their introduction in evidence is the safest rule, and it is not a technical objection to require that a showing be first made that such book entries are entitled to admission if they are actually offered.”

People v. Marsh (1952), 58 Cal. 2d 732, 26 Cal. Rptr. 300, 376 P. 2d 300, page 738:

“Wigmore says, ‘Wherever an utterance is offered to evidence the *state of mind* which ensued *in another person* in consequence of the utterance, it is obvious that no assertive or testimonial use is sought to be made of it, and the utterance is therefore admissible so far as the Hearsay rule is concerned.’ ”

And on page 740 the Court further stated:

“It is true that defendants did not offer to authenticate these letters, reports and conversations. This was not significant. The due execution of the proffered testimony was not involved. The issue was, did defendants receive this material, and if so what effect, if any, did it have on their minds. As was said in *People v. Adamson*, 118 Cal. App. 2d 714, 720 [258 P. 2d 1020], referring to a letter offered to show motive or intent: ‘The authenticity of the letter would seem to have no bearing on its intended use. Whether it be genuine or a forgery, it was merely offered to show that Mr. Pugh was motivated by it in his actions.’ ”

Hedden v. Waldeck (1937), 9 Cal. 2d 631, 636 [72 Pac. 2d 114]

“‘Fraud is odious and is never presumed; it must be established by proof. The presumption always is in favor of fair dealing, except, perhaps, where confidential relations are involved. This presumption has been held to approximate in strength that of innocence of crime.’ (12 Cal. Jur., p. 816, par. 71.) ‘Actual fraud is never pre-

sumed but must affirmatively be established. The evidence must amount to proof of fraud, and where the circumstances of the transfer comport equally with the theory of honesty and fair dealing, fraud will not be found. The burden of establishing a debtor's fraudulent intent is therefore upon the one seeking to set aside the transfer. . . .’ ”

In *Ward v. Waterman*, 85 Cal. 488, 504, 24 Pac. 868:

“In *Jarnatt v. Cooper*, 59 Cal. 706, this court again uses the words ‘clear and convincing,’ but in that connection shows very clearly what is meant by their use. It says: ‘It is doubtless a well-settled rule that the party alleging fraud or mistake is bound to prove his allegation by clear and convincing evidence; that is, that the evidence which tends to prove the alleged fraud or mistake, if standing alone, uncontradicted, would establish a clear *prima facie* case of fraud or mistake. If it does not, this court may reverse the judgment on the ground of insufficiency of the evidence to justify the decision. But where the evidence which tends to prove fraud or mistake, if standing alone, uncontradicted, is sufficiently clear and convincing, we cannot reverse the judgment on the ground that such evidence is contradicted by other evidence, because the right to pass upon the credibility of witness is not vested in this court. The only question which we have to decide in respect to the sufficiency of the evidence is, whether that which tends to prove the alleged fraud or mistake, if standing alone, without contradiction, would make out a *prima facie* case.’ ”

In *Trousdell v. Equitable Life Assur. Soc.* (1942), 55 Cal. App. 2d 74, 76, 130 P. 2d 173:

“The testimony of appellant’s witnesses tending to prove the materiality of the representations complained of and that they were made falsely and with the intent to deceive was equally unsatisfactory. We refer to this state of the evidence not in criticism of appellant’s presentation but as indicative of the failure to meet the test of the proof of actionable fraud. The rule that such proof cannot rest upon mere suspicion or conjecture is well stated in *Truett v. Onderdonk*, 120 Cal. 581, 588 [53 P. 26], where it is said: ‘The presumption is always against fraud, a presumption approximating in strength to that of innocence of crime, and it should not be deemed overcome, even prima facie, upon a showing so intangible and shadowy.’ ”

In *Ryder v. Bamberger* (1916), 172 Cal. 791, 799-800, 158 Pac. 753:

“For, if there be two inferences equally reasonable and equally susceptible of being drawn from the proved facts, the one favoring fair dealing and the other favoring corrupt practice, it is the express duty of court or jury to draw the inference favorable to fair dealing (citations.) For fraud must always be proved, so that when the plaintiff’s case goes no further than to establish a state of facts from which the inference of fraud may or may not be reasonably drawn, he has failed to establish his charge by a preponderance of the evidence, and it becomes the duty of court or jury, as has been said, to find in favor of innocence

and uprightness. This does not, of course, mean that the fraud must be proved by direct evidence. This is not always nor even often possible, but it does mean that the indirect evidence and the inference to be drawn from the proved facts must be convincing as to satisfy the trial court or trial jury that fraud was designed and accomplished.”

In *Palmer v. Gulf Pub. Co.* (S.D. Cal. 1948), 79 F. Supp. 731, 738-739:

“For it is the tendency to mislead and not the actual result which is the test. The plaintiff in a case of this character need not prove actual confusion. However, the plaintiff has offered some incidents which it is claimed show confusive results. Reduced to their essence, they consist of undelivered letters, misdirected telephone calls and telephone calls to persons connected with one rather than the other of the publications. These are of small significance, and entitled to little weight. They are the type which, as Mr. Justice Brewer stated on one occasion, are traceable to the ‘careless’ or to ‘persons *not particularly attentive*’ and which ‘*will happen in the ordinary course of business, no matter how great the differences.*’ ” (Emphasis by the Court.)

“As said by the present Chief Justice of the United States, when he was Associate Justice of the United States Court of Appeals for the District of Columbia:

*“A publisher though he has a registered trademark cannot be protected from all of the inadequacies of human thought and memory. * * **

Probable confusion cannot be shown by pointing out that at some place, at some time, some one made a false identification. The plaintiff did not show one instance of a newsstand purchaser receiving the magazine he did not intend to buy. Under both methods of determination, we conclude, without hesitation, that the defendant's title does not infringe the plaintiff's registered trademark.'” (Emphasis added by the Court.)

In *Lockwood v. Langendorf United Bakeries, Inc.* (9 Cir., 1963), 324 F. 2d 82, 88.

“ ‘Even if a claim can be read in terms upon an accused article, infringement does not necessarily follow unless it can be found as an ultimate fact that the article uses the inventor's idea as embodied in the inventor's design and drawings and that there is sameness or equivalence of function and means. (citations.)

“ ‘The mere fact that the accused article performs the same function and achieves the same result as the patented article does not necessarily establish infringement unless it can be found that this is accomplished in substantially the same way and where, as in this case, the art is fairly crowded and the main elements of the patent are found or indicated in prior art, this issue should be determined narrowly rather than liberally. If in fact, not merely colorably, the accused article departs from the teaching of the patent in the means by which it achieves the result there is no infringement.’ (citations.)”

In *Dubil v. Rayford Camp & Co.* (9 Cir., 1950), 184 F. 2d 899, 903:

“As we have just said, the basis of which attorney’s fees are to be awarded must be stated clearly. Otherwise it becomes the duty of the reviewing court to set the award aside.”

And in discussing the amount of the award of \$15,000.00 the court stated on page 903:

“Not more than 9 days were expended during the trial. If we assume that an equal amount of time was spent in the taking of depositions, plant examinations and in preparation, we find that the winning attorneys would be compensated under the court’s order at a rate in excess of \$800.00 a day. The patent involved was a simple one. After a complete examination of the record we think our estimate of the time expended, if anything, is over generous. But assuming it were not, a fee of \$15,000.00, based upon the patent infringement action alone, would be so excessive that it could not be sustained”.

In *Park-In-Theatres v. Perkins* (9 Cir., 1951), 190 F. 2d 137, 142:

“Thus, the payment of attorney’s fees for the victor is not to be regarded as a penalty for failure to win a patent infringement suit. The exercise of discretion in favor of such an allowance should be bottomed upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees which prevailing litigants normally bear.”

In *Merrill v. Builders Ornamental Iron Co.* (10th Cir., 1952), Rehear. den. 1952, 197 F. 2d 16, 25:

“... the court may in the exercise of its sound judicial discretion award reasonable attorneys' fees to the prevailing party in a patent infringement case. But such fees are not to be allowed as a matter of course in the ordinary patent suit. And where conventional procedure is followed by the unsuccessful party litigant, attorney's fees are not to be awarded against him as a penalty for failing to prevail. (citations.) The exercise of discretion in favor of the allowance of attorney's fees should have its source in unfairness or bad faith on the part of the losing party, or in some other equitable consideration such as vexatious or wholly unjustified litigation which makes it grossly unjust for the prevailing party in the particular case to bear the burden of his own counsel fees.”